DECIPHERING THE 2020 STIMULUS AND GOVERNMENT FUNDING LEGISLATION: WHAT'S IN IT FOR MY SMALL BUSINESS? WEBINAR

PERMANENT REDUCTION OF THE FET RATE

• The tax rate was reduced permanently for distilled producers of 100,000 proof gallons or less.
• The rate dropped permanently from $13.50 to $2.70 per proof gallon.
OTHER IMPORTANT CHANGES: AGING, TRANSFER IN BULK AND ILLEGAL/SMUGGLED SPIRITS

- Tax on the production process will now permanently exclude the aging process for spirits (continuation of the temporary rules).
- Bulk and bottled transfers in bond transfers are exempt from tax, with the following exception.
- For those spirits transported to be bottled or stored, the exemption for in bond transfers applies but “only if the transferor retains title during the entire period between such distillation, or processing, and removal.”
- NEW PROVISION: Spirits that are produced illegally or smuggled will not get the lower FET.

PROCESSING CHANGES FOR THE LOWER FET RATE

- Concerns were raised about distillers who were not producing their own product but merely labeling spirits and qualifying for the lower FET.
  - NEW PROVISION: “A distilled spirit shall not be treated as processed for purposes of this subsection unless a process described in section 5002(a)(5)(A) [other than bottling] is performed with respect to such distilled spirit.”
- How is processing defined? Under the statute, any person who:
  - “manufactures, mixes, or otherwise processes distilled spirits,
  - And, it includes those that are “a rectifier, bottler, and denaturer.”
NEW ROUND OF PPP & SMALL BUSINESS PROVISIONS

- The bill provides $325 billion in new small business relief. PPP is extended to March 31, 2021.
- Second PPP loans are now allowed. It defines eligibility for the second draw loan as a small business that has no more than 300 employees and can demonstrate at least a 25 percent reduction in gross revenues between comparable quarters in 2019 and 2020.
- It establishes a maximum loan size of 2.5 x average monthly payroll costs, up to maximum loan of $2 million.
- In order to help restaurants and bars, it allows small businesses assigned to the industry NAICS code 72 (Accommodation and Food Services) to receive PPP second draw loans equal to 3.5 x average monthly payroll.

SMALL BUSINESS RELIEF, CONT.

- For those that did not receive a PPP loan or are very small businesses, there is a specific set-aside of funds to support first-time PPP borrowers with 10 or fewer employees, second-time PPP borrowers with 10 or fewer employees, and first-time PPP borrowers who have been made newly eligible.
- Simplified loan application for loans under $150,000
- Additionally, there are set-asides for loans made by community lenders and credit unions.
- Lenders who make loans based on good faith have a hold harmless provision, which allows them to make loans more quickly.
SMALL BUSINESS, CONT.

- Expands PPP allowable and forgivable expenses to include supplier costs on existing contracts and purchase orders, including the cost for perishable goods at any time, costs relating to personal protective equipment and adaptive costs, and technology operations expenditures.
- Enhances borrower flexibility by allowing borrowers to select their loan forgiveness covered period between 8 weeks and 24 weeks.
- Simplifies the forgiveness application process for smaller loans up to $150,000 while increasing SBA’s ability to audit and review forgiven loans.
- Allows PPP borrowers to include additional group insurance payments when calculating their PPP payroll costs. This would cover insurance plans such as vision, dental, disability and life insurance.
- Allows borrowers who returned all or part of their PPP loan to reapply for the maximum amount applicable.

OTHER TAX PROVISIONS FOR SMALL BUSINESS

- The legislation clarifies that gross income does not include any amount that would otherwise arise from the forgiveness of a Paycheck Protection Program (PPP) loan.
- This provision also clarifies that deductions are allowed for otherwise deductible expenses paid with the proceeds of a PPP loan that is forgiven.
- Employers now have until the end of 2021 to pay deferred employee social security tax withholding. No penalties until January 2022.
EMPLOYEE RETENTION TAX CREDIT

- Extends the credit to the first two quarters of 2021.
- The credit amount is increased to 70% of qualified wages, and health benefits.
- The credit cap is increased to $7,000 for each of the first two quarters of 2021.
- Credit eligible for business operations that are either fully or partially suspended by a COVID-19 lockdown order, or for a quarter in 2021, if gross receipts are less than 80% of gross receipts for the same quarter in 2019. Many additional businesses will be eligible for this credit due to the lowering of the bar on reduction in gross receipts (from a 50% reduction in gross receipts to a 20% reduction).

QUESTIONS & ANSWERS

- For more information on the PPP – click on the SBA link Business Loan Program Temporary Changes; Paycheck Protection Program as Amended by Economic Aid Act (sba.gov)
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