



FUBA
FLORIDA UNITED BUSINESSES ASSOCIATION

ISSUES

OUR BUSINESS IS SMALL BUSINESS

JANUARY 2021

Volume XXXI, No. 1

NEW SIMPLIFIED FORGIVENESS PROCESS APPROVED FOR PPP LOANS UNDER \$150,000

The United States Congress has approved a new law that will simplify the forgiveness process for businesses with PPP loans under \$150,000.

While these smaller PPP loans will not be automatically forgiven as many had hoped, the process of getting the loan forgiven has been made a lot easier.

The new forgiveness process for loans under \$150,000 will be a one-page application where you list your loan amount, the number of employees your business was able to retain because of the loan, and the estimated amount of the PPP loan that your business spent on payroll costs. No further documentation will be required, but it is recommended that businesses retain supporting documentation for 3 years.

The government has three weeks to release the new, one-page forgiveness application. As soon as it is released by the Small Business Administration, we will post it to our website and send it to all FUBA members via email.

UPDATE ON DEDUCTIBILITY OF BUSINESS EXPENSES AND PPP LOANS

While PPP loan forgiveness is not taxable income for federal income tax, the IRS had taken the position that expenses paid for with a forgiven PPP loan would not be deductible as a business expense. Normally, a business can

deduct amounts it spends on business expenses (like payroll) from its taxable income. Under the IRS ruling, businesses would not be able to take a deduction for business expenses paid for with their PPP loan, which meant that businesses would pay more in federal tax for 2020.

Thankfully, the new law that Congress passed at the end of 2020 overturns this IRS ruling and fixes this situation. Under the new law, regular business expenses paid for with PPP loans will be deductible for tax purposes.

EMPLOYEE PAID LEAVE FOR COVID HAS ENDED

Early in the pandemic, the United States Congress passed a law that required employers to provide two weeks (up to 10 weeks in certain circumstances) of paid leave from work for employees dealing with COVID. This law, called the Families First Coronavirus Response Act (FFCRA), expired at the end of 2020.

Congress did not choose to renew the paid leave law at the end of the year, so **employers are no longer required to provide paid COVID-related leave under the FFCRA to their employees.**

While this COVID-related paid leave is no longer required, employers may voluntarily choose to offer their employees paid COVID-related time off from work and receive tax credits for any paid leave they provide. Employees are still entitled to only 80 hours of leave, so employers

cannot take tax credits for leave provided to employees who have already taken their 80 hours of paid leave.

SECOND ROUND OF PPP LOANS WILL BE AVAILABLE FOR BUSINESSES

A second round of PPP loans will be available soon for businesses that have spent their first PPP loan. To qualify, businesses must demonstrate that they had a 25% reduction in gross revenues in the first, second, or third quarter of 2020 as compared to the same quarter of 2019. These businesses will be eligible for a second PPP loan, even if they already received a PPP loan in 2020.

The maximum loan amount of the second PPP loan is 2.5 times your average monthly payroll costs in the year prior to the loan. Businesses in the food service and hotel/motel industries can receive up to 3.5 times their average monthly payroll costs.

Like the first round of PPP loans, these new PPP loans are entirely forgivable (you do not have to pay them back) if you spend at least 60% of the loan on payroll costs. And the list of allowable payroll expenses has been expanded to include group health payments made by employers for vision, dental, disability, and life insurance for their employees. Other new allowable expenses are:

- Operations expenses like software, cloud computing, and other human resources and accounting costs
- Personal protective equipment provided to employees
- Technology expenses
- Supplier costs for goods that are essential to your operations
- Property damage

Like the original PPP loans, the amount of your second PPP loan that can be forgiven will be reduced if you reduce the number of your employees or their salaries.

If you are interested in applying for a second PPP loan, you should contact your bank to ask if they are going to participate in the second round of PPP loans. We expect the application to apply for these new loans to be available in the next few days and will update our members when it is released.

REMINDER: FLORIDA MINIMUM WAGE INCREASED

The Florida minimum wage increased on January 1, 2021 from \$8.56 an hour to \$8.65 an hour. The minimum cash wage for tipped employees also went up, from \$5.54 an hour to \$5.63 an hour.

We mailed all FUBA members a new 2021 Florida minimum wage poster in December. Florida law requires employers to post a Florida-specific minimum wage poster at their place of business. **One of the most important benefits of your company's continued FUBA membership is that we provide you with posters free of charge.**

As always, additional posters are free of charge for FUBA members. They are available from the Publications section of our website at fuba.org. Or you can request additional color copies by emailing us at fuba@fuba.org. Please include your name, company name, and mailing address in your email.

STATE SALES TAX RATE ON COMMERCIAL RENT WILL NOT CHANGE IN 2021

In Florida, businesses that rent their offices/locations (including retail space) are required to pay sales tax on the amount of their lease. After decreasing each of the last several years, the tax rate charged on business rent for 2021 will stay at the 2020 rate, which is 5.5% (plus additional local sales tax).