

NFIB UPDATE

COVID-19 Webinar Series for Small Business

with Beth Milito and Holly Wade, NFIB



March 17, 2021

Breaking News: PPP, ERTC, and COVID-19 Relief Updates from the American Rescue Plan Act



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DISCLAIMER

- The materials and information provided in this webinar and on NFIB's website are for informational purposes only and not for the purpose of providing legal or tax advice. You should contact your attorney and/or tax professional to obtain advice with respect to any particular issue or problem.
- This is based on information available by 03/16/21.

Small Business Deduction, Section 199A

- Businesses organized as S-Corporations, sole-proprietors, LLCs, and partnerships can deduct up to 20% of qualified business income.
- For tax year 2020, businesses with qualified business income of less than \$163,300 (single)/\$326,600 (joint) are eligible for the deduction.
- Businesses with incomes above these thresholds may still eligible – make sure to ask your tax professional.
- This helpful deduction expires at the end of 2025.
- Be the voice of small business and make your voice heard [HERE](#)



Standard Deduction

Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent

☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness

You: ☐ Were born before January 2, 1956

☐ Are blind

Spouse: ☐ Was born before January 2, 1956

☐ Is blind

Dependents

(see instructions):

If more than four dependents, see instructions and check here ☐

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for Child tax credit	(see instructions): Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, \$12,400
- Married filing jointly or Qualifying widow(er), \$24,800
- Head of household, \$18,650
- If you checked any box under *Standard Deduction*, see instructions.

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRA distributions	4a	
5a	Pensions and annuities	5a	
6a	Social security benefits	6a	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	7	
8	Other income from Schedule 1, line 9	8	
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income <input type="checkbox"/>	9	
10	Adjustments to income:		
a	From Schedule 1, line 22	10a	
b	Charitable contributions if you take the standard deduction. See instructions	10b	
c	Add lines 10a and 10b. These are your total adjustments to income <input type="checkbox"/>	10c	
11	Subtract line 10c from line 9. This is your adjusted gross income <input type="checkbox"/>	11	
12	Standard deduction or itemized deductions (from Schedule A)	12	
13	Qualified business income deduction. Attach Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2020)



Agenda

-
- Covid-19 Small Business Resources
 - Overview of the American Rescue Plan Act
 - PPP Updates
 - ERTC Updates
 - Q&A
 - Send questions to info@nfib.org

Upcoming Webinar



Wednesday, March 31st @ 12pm EST

- *How to Prepare for Tax Filings During Covid-19 – Do's and Don'ts for Small Businesses*
- Special guest: Veronica Tubman, Stakeholder Liaison, IRS

COVID-19 Resources

-
- [PPP First Draw Borrower Application Form 2483 \(Updated 03/03/21\)](#)
 - [PPP First Draw Borrower Application Schedule C Filers Form 2483-C \(Released 03/03/21\)](#)
 - [PPP Second Draw Borrower Application Form 2483-SD \(Released 03/03/21\)](#)
 - [PPP Second Draw Borrower Application Schedule C Filers Form 2483-SD-C \(Released 03/03/21\)](#)
 - [PPP Loan Forgiveness Form 3508S for loans of \\$150,000 or less \(Updated 01/19/21\)](#)
 - [PPP Loan Forgiveness Form 3508EZ \(Updated 01/19/21\)](#)
 - [PPP Loan Forgiveness Form 3508 \(Updated 01/19/21\)](#)
 - [AICPA PPP Loan Forgiveness Calculators \(updated 03/15/21\)](#)
 - [NFIB Coronavirus Resources \(including webinar recordings\)](#)

The American Rescue Plan Act

Overview of the American Rescue Plan Act

On March 11, 2021, President Biden signed the **American Rescue Plan Act** into law, which provides additional relief for small businesses and employees. Specifically, the new law includes:

- \$7.25 billion additional for the **Paycheck Protection Program**.
- Extends the **Employee Retention Tax Credit** until December 31, 2021 allowing for an additional \$10,000 per employee for each of the four quarters in 2021.
- **NEW:** \$28.6 billion for the **Restaurant Revitalization Fund** for industry-focused grants
- Additional funds for the **Shuttered Venue Operators Grant Program**, and now allows businesses to apply for both a PPP loan after Dec. 27, 2020, and the SVOG.
- \$15 billion additional for **Targeted Economic Injury Disaster Loan Advance (EIDL)**.



Overview of the American Rescue Plan Act (cont.)

- Extends the **Families First Coronavirus Response Act Tax Credit** to employers who voluntarily provide COVID-19 paid leave in 2021 until September 30, 2021.
- Extends the **\$300-per-week supplement to unemployment benefits** which expire March 14. The supplement will extend through Sept. 6, 2021.
- Pays **stimulus checks of \$1,400** to eligible taxpayers. Taxpayers plus eligible dependents will each receive \$1,400. Single taxpayers will begin to phase out at \$75,000 of adjusted gross income and will be completely phased out at \$80,000. Married filing joint phaseout begins at \$150,000 and ends at \$160,000.
- Includes **enhancements to the earned income tax credit**, child and dependent care credit and child tax credit and makes the first \$10,200 of unemployment income for taxpayers with an AGI of less than \$150,000 tax free in 2020.



Restaurant Revitalization Fund

- Fund will be operated by the **Small Business Administration** (SBA).
- Eligible entities include businesses that were open on February 15, 2020, with funds available through December 31, 2021.
- Eligible businesses include restaurants, food stands, food trucks, food carts, caterers, saloons, inns, taverns, bars, lounges, brewpubs, tasting rooms, taprooms, licensed facilities or a premise of a beverage alcohol producer where the public may taste, sample, or purchase products, or other similar businesses where the public or patrons assemble for the primary purpose of being served food or drink. This also includes the same types of establishments located in an airport terminal or that are Tribally-owned.



SBA Updates

<http://www.sba.gov/updates>

Restaurant Revitalization Fund (cont.)

- Any eligible business can apply for this grant with SBA provided they can demonstrate:
 - The uncertainty of current economic conditions makes the grant a necessary support to ongoing business operations
 - The eligible business has not applied for, or received a grant under the Economic Aid to Hard-Hit Businesses, Nonprofits and Venues Act
- Grant is calculated by subtracting its 2020 gross receipts from its 2019 gross receipts.
- Eligible expenses include payroll; principal or interest on mortgage; rent; utilities; maintenance/construction on outdoor seating; supplies including PPE and cleaning materials; food and beverage inventory; supplier costs; operational expenses; paid sick leave; and any other expenses that the SBA determines to be essential to maintaining operations.



Families First Coronavirus Act Revisions

- FFCRA tax credits extended to September 30, 2021.
- The sick leave credit now includes any leave that is due to a COVID-19 vaccination or recovering from any condition relating to such vaccination.
- The family leave credit increases to \$12,000.
- The paid sick leave day limitation of 10 will reset for each employee after March 31, 2021. This will allow taxpayers to receive credits for employees who previously 'used' their limitation if such employee needs more sick time due to an allowable reason between April 1 and September 30.
- Adds a new rule disallowing tax credits for employers who voluntarily provide FFCRA leave but who discriminate with regard to such leave on the basis of employment tenure or in favor of full-time employees or highly compensated employees (as defined in Section 414(q) of the Internal Revenue Code).
- ***FFCRA leave remains voluntary for employers to participate in during 2021.***



COVID-19-Related Tax Credits for Paid Leave
Provided by Small Businesses FAQs |
[Internal Revenue Service \(irs.gov\)](https://www.irs.gov)

PPP Updates

PPP Background Information

- The PPP program was reauthorized in December 2020 to provide money for forgivable loans to small businesses through March 31, 2021.
- PPP loans are fully forgivable if, following receipt, employers: (1) maintain their workforce and compensation levels (only applicable to employers receiving over \$50,000 in PPP and subject to other fact-specific exceptions); (2) limit PPP spending to eligible expenses; and (3) spend at least 60 percent of their loan on payroll costs and benefits.
- Businesses and nonprofits that previously received a PPP loan can apply for a second loan if they demonstrate at least a 25 percent reduction in gross receipts between two comparable quarters in 2019 and 2020.
- Applicants can apply for loans valued at 2.5 times their average monthly payroll expenses (or 3.5 times for hotels and restaurants), maxing out at \$10 million for first-time applicants and \$2 million for second-time applicants.
- PPP funds can be used to cover payroll and benefits costs, along with a limited range of non-payroll expenses.

Eligible PPP Expenses

- Payroll
- Utilities (gas, electricity, water, telephone, internet)
- Rent (real and personal property)
- Mortgage Interest (*note related-owner restrictions*)
- Covered operations expenditure
- Covered property damage cost
- Covered supplier cost
- Covered worker protection expenditure

Choose between
8- to 24-week
covered period

60/40 rule still applies
Must spend at least 60% of
PPP loan on eligible payroll
expenses

Loan Breakdown for 2021 PPP

First Draw Loans	Loans Approved	Net Dollars	Average Loan Size	Lender Count
Total First Draw Loans	804,128	\$17,399,482,515	\$21,638	5,006
First Draw Loans with 10 or fewer employees	781,742	\$12,418,729,030	\$15,886	4,985
First Draw Loans LMI & Less than \$250k	205,101	\$3,858,589,782	\$18,813	3,964

Second Draw Loans	Loans Approved	Net Dollars	Average Loan Size	Lender Count
Total Second Draw Loans	1,604,977	\$147,551,068,317	\$91,933	5,159
Second Draw Loans with 10 or fewer employees	1,212,252	\$39,580,435,699	\$32,650	5,137
Second Draw Loans LMI & Less than \$250k	340,104	\$17,094,307,234	\$50,262	4,448

First & Second Draw Loans	Loans Approved	Net Dollars	Average Loan Size	Lender Count
Total First & Second Draw Loans	2,409,105	\$164,950,550,832	\$68,470	5,198
PPP Loans by Community Financial Institutions	111,870	\$7,236,506,912	\$64,687	449
PPP Loans by Insured Depository Institutions <\$10B in Assets	966,458	\$74,444,348,726	\$77,028	4,107
PPP Loans by Credit Unions <\$10B in Assets	74,307	\$3,368,773,424	\$45,336	817
PPP Loans by Farm Credit System Institutions <\$10B in Assets	11,130	\$233,017,171	\$20,936	40

Approvals through 03/07/2021



Source: SBA

PPP Revised Formula Schedule C Filers

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business (Sole Proprietorship)

► Go to www.irs.gov/ScheduleC for instructions and the latest information.

► Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

On March 3, 2021, SBA announced PPP changes for Schedule C Filers:

- For borrowers that file IRS Form 1040 Schedule C:
 - ☐ Income now encompasses borrower's net income and gross income to account for fixed and other business expenses.
 - ☐ The revised definition of income allows revisions to the loan amount calculation.
- **These revisions are not retroactive.**
- Application forms:
 - ☐ SBA Form [2483-C](#) or [2483-SD-C](#): only for Schedule C filers using gross income.
 - ☐ SBA Form [2483](#) or [2483-SD](#): if using net income to calculate loan amount.



PPP Updates – Revised Formula Schedule C Filers

First Draw PPP Loan - For Schedule C filer with No Employees:

Step 1: From 2019 or 2020 IRS Form 1040, Schedule C, Line 31 net profit or line 7 gross income

- ☐ If this amount is over \$100,000, reduce it to \$100,000.
- ☐ If both your net profit and gross income are zero or less, you are not eligible for a PPP loan.

Step 2: Calculate the average monthly net profit or gross income amount (divide the amount from Step 1 by 12).

Step 3: Multiply the average monthly net profit or gross income amount from Step 2 by 2.5. This amount cannot exceed \$20,833.

Step 4: Add the outstanding amount of any EIDL made between Jan. 31, 2020 and April 3, 2020.



PPP Updates – Revised Formula Schedule C Filers

First Draw PPP Loan - For Schedule C filer with Employees:

Step 1: 2019 or 2020 Schedule C:

1. Calculate owner compensation share of payroll costs -Use either:

☐ Net profit (line 31); **or**

☐ Gross income (line 7) **minus** employee payroll costs (lines 14, 19, & 26)

2. If #1 is more than \$100,000, reduce to \$100,000; If less than zero, set to zero

3. Add eligible employee payroll costs (cash and non-cash (e.g. employer contributions to employee group health insurance, retirement contributions, etc.))

Step 2: Calculate the average monthly amount (divide the sum from Step 1 by 12).

Step 3: Multiply the average monthly amount from Step 2 by 2.5.

Step 4: Add the outstanding amount of any EIDL made between Jan. 31, 2020 and April 3, 2020.



PPP Updates – Revised Formula Schedule C Filers

Second Draw PPP Loans – For Schedule C Filers

- Same rules for loan amount calculation as First Draw PPP loan calculation except:
 - ❑ Loan amount may not exceed \$2 million
 - ❑ Borrower with NAICS code beginning with 72:
 - Multiply average monthly payroll by 3.5
 - For a Schedule C filer without employees -this amount cannot exceed \$29,167
- Note: Second Draw PPP Loan eligibility requirements continue to apply to Schedule C filers (e.g. 25% reduction in gross receipts, which includes affiliates).



PPP Updates – Revised Formula Schedule C Filers



Paycheck Protection Program Second Draw Borrower Application Form for Schedule C Filers Using Gross Income March 3, 2021

OMB Control No.: 3245-0417
Expiration Date: 9/30/2021

AN APPLICANT MAY USE THIS FORM ONLY IF THE APPLICANT FILES AN IRS FORM 1040, SCHEDULE C, AND USES GROSS INCOME TO CALCULATE PPP LOAN AMOUNT

Check One: <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Independent contractor <input type="checkbox"/> Self-employed individual		DBA or Tradename (if applicable)	Year of Establishment (if applicable)
Business Legal Name		NAICS Code	
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)		Business TIN (EIN, SSN, ITIN)	Business Phone
		Primary Contact	Email Address
Total Amount of Gross Income (from IRS Form 1040, Schedule C, Line 7)	Tax Year Used for Gross Income	Number of Employees (including owners and affiliates, if applicable; may not exceed 300 unless "per location" exception applies):	
\$	<input type="checkbox"/> 2019 <input type="checkbox"/> 2020		

If you do not have any employees (other than owners), complete this table:

A. Your gross income amount from 2019 or 2020 IRS Form 1040, Schedule C, line 7	\$	B. Divide A by 12 (if more than \$8,333.33, enter \$8,333.33):	\$	x 2.5 (or x 3.5 for NAICS 72 applicants) (may not exceed \$2,000,000):	\$
---	----	--	----	--	----

If you have employees (other than owners), complete this table:

A. Your 2019 or 2020 IRS Form 1040, Schedule C, line 7 amount, minus the sum of line 14, line 19, and line 26:	\$	B. Divide A by 12 (if more than \$8,333.33, enter \$8,333.33):	\$	C. Average Monthly Payroll for Employees (not including owners)	\$
Add B and C:	\$	x 2.5 (or x 3.5 for NAICS 72 applicants) (may not exceed \$2,000,000):		\$	

Purpose of the loan (select all that apply):	<input type="checkbox"/> Payroll Costs (including proprietor expenses, equal to business expenses plus owner compensation)	<input type="checkbox"/> Rent / Mortgage Interest	<input type="checkbox"/> Utilities	<input type="checkbox"/> Covered Operations Expenditures
	<input type="checkbox"/> Covered Property Damage	<input type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures	<input type="checkbox"/> Other (explain):
PPP First Draw SBA Loan Number:				

Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):		Reference Quarter (e.g., 2Q 2019):	
	Gross Receipts:	\$	Gross Receipts	\$

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Name of proprietor

Profit or Loss From Business (Sole Proprietorship)

Go to www.irs.gov/ScheduleC for instructions and the latest information.

Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

2020

Attachment Sequence No. 09

Social security number (SSN)

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home only on line 30.

30	Method Worksheet. See instructions to figure the amount to enter on line 30	30	
31	Net profit or (loss) from business. Enter the amount from line 29. • If a profit, enter the amount from line 31 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must enter the amount on line 31 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.	31	
32	If you have a loss, enter the amount on line 32 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.	32	

32a ☐ All investment is at risk

ERTC Updates

Employee Retention Tax Credit Overview			
	2020 Rules	New rules for 2020: 3/13/2020-12/31/20	New rules for 2021: 1/1/21-12/31/21
Interaction with PPP	No ERTC if received a PPP loan	Taxpayers that receive a PPP loan can claim the ERTC, excluding wages paid for by a PPP loan.	
Maximum Tax Credit per Employee	\$5,000 for 2020	\$5,000 for 2020	\$28,000 for 2021
Tax Credit Calculation	50% of the first \$10,000 in qualified wages per employee in a quarter	50% of the first \$10,000 in qualified wages per employee in a quarter	70% of the first \$10,000 in qualified wages per employee in a quarter
Eligibility	100 employees or less	100 employees or less	500 employees or less
	50% reduction in gross receipts a quarter compared to same quarter in 2019 OR subjected to mandatory partial or full shutdown		20% reduction in gross receipts a quarter compared to same quarter in 2019 OR subjected to mandatory partial or full shutdown

2020

Does your business have 100 or fewer employees?

YES

NO

Did your business experience a 50% or greater decline of gross receipts in a given quarter of 2020 compared to the same quarter in 2019, OR was it subject to a government shutdown?

YES

NO

Did you receive a PPP loan in 2020?

YES

NO

New! Those who received a PPP loan in 2020 are now eligible for ERTC on 2020 wages not paid for by the PPP loan.

2021

Does your business have 500 or fewer employees?

YES

NO

Did your business experience a 20% or greater decline of gross receipts in a given quarter of 2021 compared to the same quarter in 2019 OR was it subject to a government shutdown?

YES

NO

Did you apply for a PPP loan in 2021?

YES

NO

You are still eligible for ERTC, but not on any 2021 wages paid for by the PPP loan.



Your business appears to be eligible for ERTC tax credit!

NFIB does not provide legal, tax, or accounting advice, so please see your professionals for advice specific to your business. For full information, see our complete fact sheet at [NFIB.com/ERTC](https://www.nfib.com/ERTC).

If you answered
your business is
ineligible for the ERTC.

NO

IRS

59. Are wages paid by an employer to employees who are related individuals considered qualified wages?

No. Wages paid to related individuals, as defined by section 51(i)(1) of the Internal Revenue Code (the "Code"), are not taken into account for purposes of the Employee Retention Credit. A related individual is any employee who has of any of the following relationships to the employee's employer who is an individual:

A child or a descendant of a child;

A brother, sister, stepbrother, or stepsister;

The father or mother, or an ancestor of either;

A stepfather or stepmother;

A niece or nephew;

An aunt or uncle;

A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

In addition, if the Eligible Employer is a corporation, then a related individual is any person that bears a relationship described above with an individual owning, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation.

If the Eligible Employer is an entity other than a corporation, then a related individual is any person that bears a relationship described above with an individual owning, directly or indirectly, more than 50 percent of the capital and profits interests in the entity.

If the Eligible Employer is an estate or trust, then a related individual includes a grantor, beneficiary, or fiduciary of the estate or trust, or any person that bears a relationship described above with an individual who is a grantor, beneficiary, or fiduciary of the estate or trust.

IRS ERTC FAQs HERE

Notice 2021-20

This Section III provides guidance in Q/A format on the following topics:

- A. Eligible Employers
- B. Aggregation Rules
- C. Governmental Orders
- D. Full or Partial Suspension of Trade or Business Operations
- E. Significant Decline in Gross Receipts
- F. Maximum Amount of Employer's Employee Retention Credit
- G. Qualified Wages
- H. Allocable Qualified Health Plan Expenses
- I. Interaction with Paycheck Protection Program (PPP) Loans
- J. Claiming the Employee Retention Credit
- K. Special Issues for Employees: Income and Deduction
- L. Special Issues for Employers: Income and Deduction
- M. Special Issues for Employers: Use of Third-Party Payers
- N. Substantiation Requirements



IRS Forms

Claim the ERTC in advance
Use Form 7200 HERE

Claim the ERTC retroactively
for 2020
Use Form 941-X HERE

FREE WEBINAR:

Employee Retention Tax Credit (ERTC): Step by Step instructions with a CPA

with Beth Milito, Holly Wade, and Matt Evans

Wednesday, February 24, 2021, 12:00pm EST

Join this FREE webinar as Matt Evans, CPA, CMA, CFM, a frequent speaker who serves as a SCORE Mentor to small businesses, walks through the steps on how to take advantage of the ERTC.

1. How to determine eligibility
2. How to calculate the amount of credit
3. How to access the credit, and
4. Provide recommendations on how to best take advantage of the ERTC and the PPP loan programs.

Watch HERE



Q&A

Still have PPP Questions?

The MBA Match Program has answers!

Matching graduate business school volunteer students to small businesses seeking guidance with PPP for one-on-one assistance. Program will be active through **3/24**.

- [Click here to set up your appointment today!](#)



Q&A