



SCWA Legislative Update

January 18, 2021



Paycheck Protection Program Resumed for Both First and Second Draw Loans

The Small Business Administration (SBA), in consultation with the U.S. Treasury Department, reopened the Paycheck Protection Program (PPP) for First Draw PPP Loans the week of January 11, 2021. SBA will begin accepting applications for Second Draw PPP Loans on January 13, 2021.

To promote access for smaller lenders and their customers, SBA will initially only accept Second Draw PPP Loan applications from participating community financial institutions (CFIs), which include Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), Certified Development Companies (CDCs), and Microloan Intermediaries. Paycheck Protection Program lending will reopen to all participating lenders shortly thereafter. At least \$25 billion is being set aside for Second Draw PPP Loans to eligible borrowers with a maximum of 10 employees or for loans of \$250,000 or less to eligible borrowers in low or moderate income neighborhoods.

To learn more about this program and other Coronavirus relief options available through the SBA, click [here](#).



Eligible Paycheck Protection Program Expenses Now Deductible

The Treasury Department and the Internal Revenue Service issued [guidance](#) today allowing deductions for the payments of eligible expenses when such payments would result (or be expected to result) in the forgiveness of a loan (covered loan) under the Paycheck Protection Program (PPP).

Today's guidance, [Revenue Ruling 2021-02](#), reflects changes to law contained in the COVID-related Tax Relief Act of 2020, enacted as part of the Consolidated Appropriations Act, 2021 (Act), Public Law 116-260, which was signed into law on Dec. 27, 2020.

The COVID-related Tax Relief Act of 2020 amended the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to say that no deduction is denied, no tax attribute is reduced, and no basis increase is denied by reason of the exclusion from gross income of

the forgiveness of an eligible recipient's covered loan.

This change applies for taxable years ending after March 27, 2020.

Revenue Ruling 2021-02 obsoletes Notice 2020-32 and Revenue Ruling 2020-27. This obsoleted guidance disallowed deductions for the payment of eligible expenses when the payments resulted (or could be expected to result) in forgiveness of a covered loan.

For more information about this, the COVID-related Tax Relief Act of 2020, and other tax changes, visit [IRS.gov](https://www.irs.gov).

