



# Paycheck Protection Program

## Overview

### **OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL**

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Revenue and Taxation Interim Committee

June 16, 2021



# PPP Timeline

2020	March 27	CARES Act signed into law, authorizing the PPP (\$349 billion) <ul style="list-style-type: none"><li>Does not address federal tax treatment of forgiven PPP loans (IRS notice 2020-32 indicates expenses paid with forgiven loan proceeds would not be deductible)</li></ul>
	April 16	Round 1 lending ends with funds exhausted
	April 24	Additional funding and authority granted (\$310 billion)
	June 5	PPP Flexibility Act signed into law, modifying program <ul style="list-style-type: none"><li>Does not address deductibility of expenses paid with proceeds of forgiven PPP loan</li></ul>
	August 8	Round 2 lending ends (with \$134 billion remaining)
	August 20	Legislature passes S.B. 6005 to conform with federal tax treatment
	December 27	Consolidated Appropriations Act signed into law, reopening the PPP (\$284 billion) <ul style="list-style-type: none"><li>Allows first and second time borrowing</li><li>Allows deductions at federal level for expenses paid for with forgiven PPP loan</li></ul>
2021	March 30	Application deadline extended from March 31 to May 31 <ul style="list-style-type: none"><li>PPP authorization through June 30 to allow for application processing</li></ul>
	May 31	PPP application deadline



# PPP Current Status

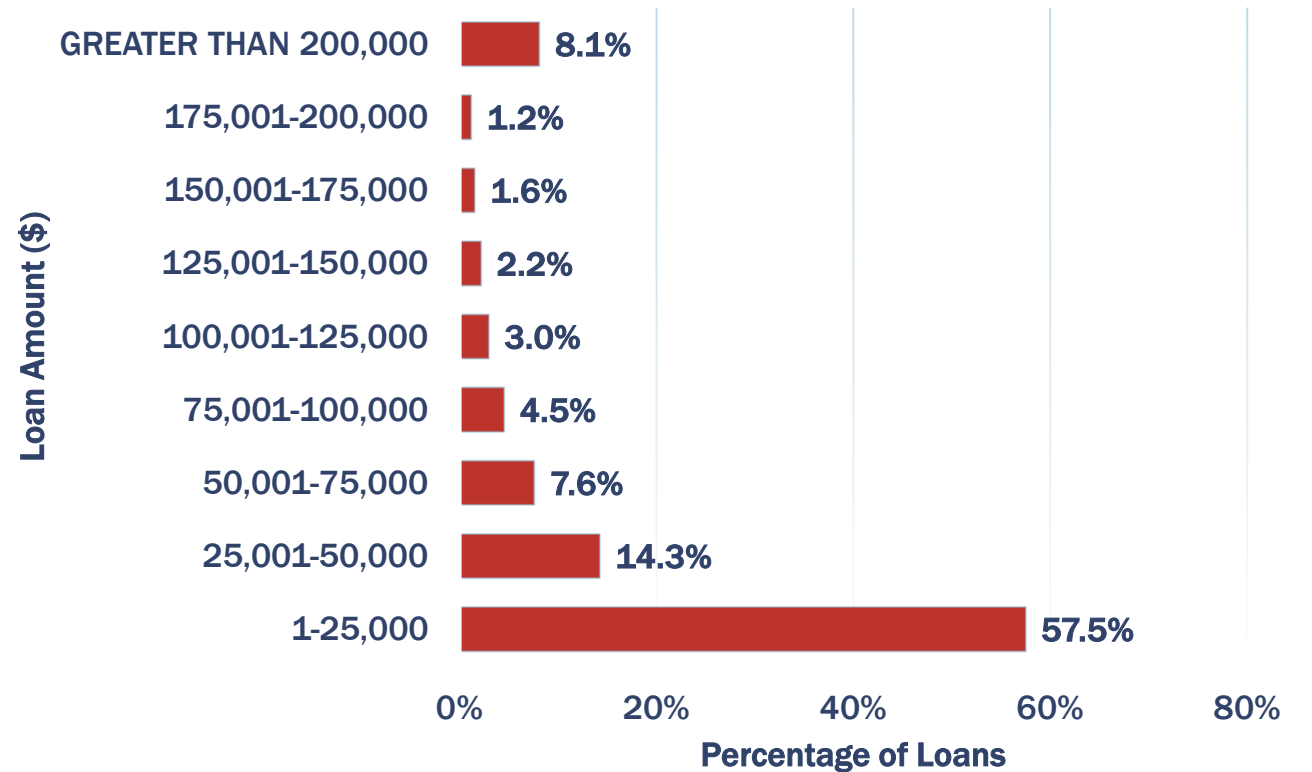
- **At the federal level, proceeds from a forgiven PPP loan are exempt from income tax and the business expenses paid with these proceeds are also deductible.**
- **In Utah, proceeds from a forgiven PPP loan are subject to state income tax if the expenses paid with the proceeds were deducted.**
  - A Utah tax liability will only result if the taxpayer's business earned a profit.
  - If the business experienced a loss, there would not be a Utah tax liability associated with the PPP proceeds.



# Utah PPP Loans

## PPP Loans to Utah Businesses\*

<b>Amount approved</b>	<b>\$7.1 b</b>
<b>No. of loans</b>	<b>84,876</b>
<b>No. loans forgiven</b>	<b>28,101</b>
<b>% loans forgiven</b>	<b>33%</b>
<b>No. of businesses with approved loan</b>	<b>65,115</b>
<b>Average no. employees</b>	<b>10.3</b>
<b>Median no. employees</b>	<b>3.0</b>
<b>Average loan size</b>	<b>\$83,418</b>
<b>Median loan size</b>	<b>\$20,832</b>



\*Loans approved 4/3/20 through 5/29/21



# PPP Eligibility

## Eligible businesses

Business concerns, certain 501(c) organizations, & housing cooperatives that meet size standards; independent contractors, eligible self-employed, and sole proprietors; in operation 2/15/20

## Loan amount

2.5 monthly payroll costs

## Payroll expenditure requirement (for full forgiveness)

60%

## Other eligible expenses (cannot exceed 40% of loan proceeds to receive full forgiveness)

mortgage interest, rent, utilities, worker protection costs, certain property damage costs, and certain operations and supplier costs

## Other requirements for forgiveness

Employee retention and compensation level maintenance

## Covered period

8 or 24 weeks from receipt of loan proceeds

## Deferral period

10 months after end of covered period (or until SBA remits forgiveness amount to the lender)

## Loan maturity

2 or 5 years

## Interest rate

1%