

# Snapshot

JANUARY 19, 2020  
SNAPSHOT 2020-03

## Changes under the Consolidated Appropriations Act

The [Consolidated Appropriations Act, 2021](#) (CAA), which was signed into law on December 27, 2020, extends certain provisions under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CAA also modifies the deductibility of eligible expenses under Paycheck Protection Program (PPP) loans for purposes of reporting federal income tax.

### Extension to TDR and CECL relief

The CAA modifies certain provisions under both Section 4013, *Temporary Relief from Troubled Debt Restructurings*, and Section 4014, *Optional Temporary Relief from Current Expected Credit Losses*, of the [CARES Act](#). For more on the accounting implications for entities that elect to apply Sections 4013 and 4014 of the CARES Act, see [Snapshot 2020-14](#).

#### CARES Act Section 4013

Section 4013 of the CARES Act allows “financial institutions,” which includes insurance companies as clarified in the CAA, to elect to suspend the requirements in ASC 310-40 on troubled debt restructurings (TDRs).

The CAA extends the applicable period of Section 4013 of the CARES Act to include modifications to loans held by financial institutions made during the period beginning March 1, 2020 and ending on the earlier of (a) January 1, 2022, or (b) 60 days after the date when the national emergency concerning COVID-19 terminates.

#### CARES Act Section 4014

Under Section 4014 of the CARES Act, insured depository institutions or their affiliates may not be

required to comply with ASU 2016-13, which introduced the new current expected credit loss (CECL) model into U.S. GAAP, among other changes.

The CAA extends the period during which an insured depository institution or its affiliate may elect not to comply with ASU 2016-13. That period begins with the enactment of the CARES Act and ends on the earlier of (a) the first day of the fiscal year that begins after the date when the national emergency concerning COVID-19 terminates, or (b) January 1, 2022.

### Deductibility of eligible expenses under PPP loans

The CAA reverses previous IRS guidance in [Notice 2020-32](#) by allowing taxpayers to fully deduct business expenses, regardless of whether the expense was paid using forgiven PPP loan proceeds. The amounts of both the loan and the loan forgiveness should still be excluded from income for federal tax purposes. Note, however, that conformity with the provisions of the CAA on reimbursed PPP expenses by states in their respective income tax regimes may vary.

For more on accounting for PPP loans received by businesses, please see [Snapshot 2020-23](#).

### Other tax implications

The CAA also provides that entities are not required to include the following loans or grants into taxable income or to reduce deductions under any of the following legal measures:

- Treasury Program Management Authority payments under Section 1109(d)(2)(D) of the CARES Act
- Economic Injury Loan Disaster grants
- Loan payments under Section 1112(c) of the CARES Act
- Grants under Section 324 of the Economic Aid to Hard Hit Small Businesses, Non-profits and Venues Act

*Visit Grant Thornton's [Resource Center](#) to stay informed about the economic impact of COVID-19.*

*For more information on borrower accounting for PPP loans as well as the overall impact of COVID-19 on estimates of credit losses, see [NDS 2020-04](#), "COVID-19: Accounting and financial reporting considerations."*

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