



COVID Relief Financial Programs Webinar

January 6, 2021

This information in this presentation is current as of December 1, 2020. This is an ongoing situation and information is subject to change. The information contained is not comprehensive but meant to give a basic overview, for further information on anything below visit the resources listed, contact ACCD, or contact the Vermont Department of Health.



OVERVIEW

- Reinvestment in the Paycheck Protection Program (PPP) - including for borrowers who have previously received a PPP loan
- A one-page simplified forgiveness process for PPP loans under \$150,000
- Clarification to various CARES Act provisions, the tax treatment of PPP expenses, agent fees
- Small Business Administration required to issue rules within 10 days of enactment
- Clarifies that other employer-provided group insurance benefits are included in payroll costs. *This includes, group life, disability, vision, or dental insurance.*

Paycheck Protection
Program Expansion
\$284.6 Billion

Chris D'Elia, Vermont
Bankers Association

FIRST TIME BORROWER PROVISIONS

AKA: “First Draw”

- Re-opens the PPP for first time recipients
- **\$35 billion for first-time borrowers of which \$15 billion for borrowers with 10 employees or fewer or loans less than \$250,000 for low-income areas**
- Expansion of eligible entities including 501(c)(6)s, destination marketing organizations (DMOs), housing cooperatives, newspapers, broadcasters, and radio stations
- Prohibits publicly traded companies from receiving PPP funds as well as those entities receiving a Shuttered Venue Operator Grants
- Clarifies that a business must have been in operation on February 15, 2020
- Expands list of eligible expenses to include covered operations (software, cloud computing, and other human resources and accounting needs); property damage costs due to public disturbances that occurred during 2020 that are not covered by insurance; covered supplier costs; and covered worker protection expenditures (PPE)

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Bankers Association**

FIRST TIME BORROWER PROVISIONS

AKA: “First Draw”

(continued)

- Allows loans made under PPP before, on, or after the enactment of this act to be eligible to utilize the expanded forgivable expenses except for borrowers who have already had their loans forgiven.
- The covered period for all “first draw loans” is extended to March 31, 2021 and is retroactive to the start of CARES. Borrowers may choose the end of their forgiveness covered period between 8 and 24 weeks after the loan origination.

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SECOND TIME BORROWER PROVISIONS

AKA: "Second Draw"

- Includes a Second Draw of PPP funds for small businesses with 300 or fewer employees that have sustained a 25 percent drop in revenue in any quarter of 2020 when compared to the same quarter in 2019.
 - A business must use or have used the full amount of their first PPP loan. The maximum loan amount is \$2 million
- Maximum loan amount is 2.5 times the average monthly payroll based on the 2019 calendar year or a one year look back, capped at \$2 million.
- SBA has 10 days to issue written guidance, and also supply guidance addressing access to capital issues for underserved communities
- \$25 billion set aside for borrowers with 10 or fewer employees or loans less than \$250,000 in low-income areas
- Seasonal employers may calculate their maximum loan amount based on a 12-week period beginning February 15, 2019 through February 15, 2020.

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SECOND TIME BORROWER PROVISIONS

AKA: "Second Draw"

- NAICS 72 Businesses (Accommodations and Food Services) can receive 3.5 times average monthly payroll, capped at \$2 million
- Eligible entities must be businesses, certain non-profit organizations, housing cooperatives, veterans' organizations, tribal businesses, self-employed individuals, sole proprietors, independent contractors, and small agricultural cooperatives.
- Allows loans made under PPP before, on, or after the enactment of this act to be eligible to utilize the expanded forgivable expenses except for borrowers who have already had their loans forgiven.

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Clarification of Tax Treatment of PPP

- Gross income does not include any amount that would otherwise arise from the forgiveness of a Paycheck Protection Program (PPP) loan
- Clarifies that deductions are allowed for otherwise deductible expenses paid with the proceeds of a PPP loan that is forgiven, and that the tax basis and other attributes of the borrower's assets will not be reduced as a result of the loan forgiveness.
- Tax treatment is effective as of the date of enactment of the CARES Act. The provision provides similar treatment for Second Draw PPP loans, effective for tax years ending after the date of enactment of the provision.

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Forgiveness

- Creates a simplified PPP loan forgiveness application for loans under \$150,000 dollars. **whereby the borrower signs and submits a one-page certification to the lender.** The form requires the borrower to list the loan amount, the number of employees retained, and the estimated total amount of the loan spent on payroll costs.
- SBA must create this form within 24 days of enactment. SBA must create an audit plan within 45 days of enactment.
- The borrower must attest they have accurately supplied the required certification and followed relevant requirements in the program. Borrowers must keep employment records for four years and other records for three years. Borrowers may submit voluntary demographic information.

Paycheck Protection
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Bankruptcy and PPP

- A business in bankruptcy is entitled to receive a PPP loan.
- It requires court approval for Paycheck Protection Program loans to these debtors and requires any such loan be given a superpriority claim in the bankruptcy process, providing additional protection to taxpayers and participating banks.
- Take effect only upon a written determination by the Administrator that certain small business debtors are eligible for Paycheck Protection Program loans and would sunset two years from the date of enactment.

Agent Fees

- The lender reimbursement language in the CARES Act is clarified so that lenders are required to pay agent fees only where there is a direct contract in place with the agent. If a borrower knowingly retains an agent, the borrower pays the agent out of funds that are not from the PPP loan. This change is retroactive to the beginning of CARES

**Paycheck Protection
Program Expansion**
\$284.6 Billion

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Bankers Association**

Employee Retention Tax Credit

What is the ERTC? And why haven't we heard much about it?

- The Employee Retention Credit (ERTC) is a refundable tax credit against certain employment taxes. Eligible employers can get immediate access to the credit by reducing or eliminating employment tax deposits they would otherwise be required to make. *Generally, the ERTC is a credit that reduces an employers required Form 941 tax deposits.*
- The CARES Act (March, 2020) created the ERTC. For 2020, Eligible businesses could qualify for credit of up to \$5,000.00 per employee. ***However, businesses who received a forgivable PPP loan were not eligible to claim an ERTC.*** Most small businesses (understandably) opted for a forgivable PPP loan, so an ERTC wasn't an option for them.

The PPP restriction changed with the passage of TCAA, 2021, and now businesses can access BOTH.

Employee Retention Tax Credit

ERTC Modifications (2021)*

- Recalled PPP as a disqualifier / technical corrections (*Section 206*); and
- Beginning 1/01/21 through 6/30/21, changed the employer eligibility threshold and increased the amount of the credit available (*Section 207*).

For the most part, there are two ERTC credits – ERTC ‘20 and ERTC ‘21. While the mechanics and effect are basically the same under both credits, the qualifiers and limits are very different.

**CAA, 2021, Title II, Section 206-207, Pg. 4927*

Employee Retention Tax Credit

ERTC Modifications (2021)*

SEC. 206 & 207

- **Beginning on January 1, 2021 and through June 30, 2021, the provision:**
 - Increases the credit rate from 50 percent to 70 percent of qualified wages;
 - Expands eligibility for the credit by reducing the required year-over-year gross receipts decline from 50 percent to 20 percent and provides a safe harbor allowing employers to use prior quarter gross receipts to determine eligibility;
 - Increases the limit on per-employee creditable wages from \$10,000 for the year to \$10,000 for each quarter;
 - Increases the 100-employee delineation for determining the relevant qualified wage base to employers with 500 or fewer employees;
 - Allows certain public instrumentalities to claim the credit; and
 - Provides rules to allow new employers who were not in existence for all or part of 2019 to be able to claim the credit.

Employee Retention Tax Credit

ERTC Modifications (2021)*

SEC. 206 & 207

Retroactive to the effective date included in section 2301 of the CARES Act, the provision:

- Provides that employers who receive Paycheck Protection Program (PPP) loans may still qualify for the ERTC with respect to wages that are not paid for with forgiven PPP proceeds;
- Clarifies the determination of gross receipts for certain tax-exempt organizations; and
- Clarifies that group health plan expenses can be considered qualified wages even when no other wages are paid to the employee, consistent with IRS guidance.

Employee Retention Tax Credit

EMPLOYERS WHO QUALIFY FOR AN ERTC (2020 CREDIT)

Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and experience either:

- The *full or partial* suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to COVID-19, or
- A significant decline in gross receipts. A significant decline in gross receipts begins:
 - on the first day of the first calendar quarter of 2020 for which an employer's gross receipts are **less than 50% of its gross receipts for the same calendar quarter in 2019**.
 - The significant decline in gross receipts ends on the first day of the first calendar quarter following the calendar quarter in which gross receipts are more than 80% of its gross receipts for the same calendar quarter in 2019.

The credit applies to **qualified wages** (including certain health plan expenses) paid during this period or any calendar quarter in which operations were suspended.

Employee Retention Tax Credit

What are Qualified Wages?

The definition of qualified wages depends on how many employees an eligible employer has.

- If an employer averaged 100 (*for 2020 credit, 500 for 2021 credit*) or fewer full-time employees during 2019, qualified wages are those wages, including health care costs, (up to \$10,000 per employee) paid to any employee during the period operations were suspended or the period of the decline in gross receipts, regardless of whether or not its employees are providing services.
- If an employer averaged more than 100 (*for 2020 credit, 500 for 2021 credit*) full-time employees during 2019, qualified wages are generally those wages, including certain health care costs, (up to \$10,000 per employee) paid to employees that are not providing services because operations were suspended or due to the decline in gross receipts. These employers can only count wages up to the amount that the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period of economic hardship.

Employee Retention Tax Credit

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2020 v. 2021 ERTC

SOME SIGNIFICANT DIFFERENCES

	2020 CREDIT	2021 CREDIT
Beginning	3/13/2020	1/1/2021
Ending	12/31/2020	6/30/2021
Credit is Calculated	Per Calendar Quarter	Per Calendar Quarter
Maximum Credit Per Employee	\$5,000 for the year	\$7,000 per quarter
	\$5,000	\$14,000
Employee Delineation	100 employees	500 employees
Wage base	\$10,000 Per Year	\$10,000 Per Quarter
Credit Rate	50% of Qualified Wages	70% of Qualified Wages
Credit "Triggers":		
Circumstance Trigger	Full or Partial Shutdown	Full or Partial Shutdown
Revenue Decline Trigger	50%	20%
Quarterly Revenue Compared To	2019	2019

Note: Qualifying Employers Can Take An ERTC for Qualified Wages in 2020 (\$5,000) and the First Two Quarters of 2021 (\$14,000), Resulting In a Total Credit Of Up To \$19,000.00 Per Employee

Employee Retention Tax Credit

SOME ITEMS TO TAKE NOTE OF BEFORE WE SHOW THE CREDIT CALCULATION

1. CREDIT “TRIGGERS”:

- If you’re using the “Revenue Decline Trigger”, you must demonstrate either a 50% (2020 ERTC) or 20% (2021 ERTC) revenue decline by comparing the entire quarter of 2020 or 2021 to the same quarter in 2019. You cannot use a lesser period or a partial quarter.
- If you’re using the “Fully or Partial Shutdown Trigger”, you can only take the credit on wages and health benefits paid during the period of full or partial shutdown or restriction. For example, if your business was under a full or partial shutdown or operating restriction for the period 4/01/20 through 5/31/20 and then that shutdown or restriction was entirely lifted on 6/01/20, you can only claim the credit for wages paid from 4/01/20 through 5/31/20.

2. WAGES USED TOWARD PPP FORGIVENESS CANNOT BE USED IN THE CALCULATION OF THE CREDIT.

PPP LOAN CALCULATION (REMEMBER THIS?)

Number of employees	10
Salaries and wages	520,000
Group health insurance	84,000
Group retirement benefits	15,600
State unemployment taxes	3,200
	<hr/>
	622,800
	<hr/>
	/ 12
Average Monthly Payroll	51,900
	<hr/>
	X 2.5
	<hr/>
PPP LOAN RECEIVED	129,750
	<hr/>
PPP FORGIVENESS PERIOD (24 WEEKS)	4/15/20 - 9/30/20

PPP FORGIVENESS CALCULATION

Payroll paid	240,000
Rent paid	12,000
Utility payments	6,000
	<hr/>
Total	258,000
	<hr/>

PPP FUNDS USED IN FORGIVENESS CALCULATION:

PPP Loan Forgiven	129,750
Less:	
Rent paid	(12,000)
Utility payments	(6,000)
	<hr/>
PAYROLL USED TOWARDS FORGIVENESS OF PPP	111,750
	<hr/>

Payroll Paid During Forgiveness Period	240,000
Payroll Used Towards Forgiveness Calculation	(111,750)
	<hr/>
Payroll Available For Use In Calculating ERTC	128,250
	<hr/>

Payroll Paid During Forgiveness Period	240,000
Payroll Used Towards Forgiveness Calculation	<u>(111,750)</u>
Payroll Available For Use In Calculating ERTC	<u>128,250</u>

ADJUSTMENT TO QUALIFYING WAGES FOR WAGES USED IN PPP FORGIVENESS

	<u>Q2-20</u>	<u>Q3-20</u>	<u>TOTAL</u>
Payroll Paid During Forgiveness Period	110,000	130,000	240,000
PPP Funds Used Towards Forgiveness Calculation	-	(111,750)	(111,750)
Available For Calculation of Credit	<u>110,000</u>	<u>18,250</u>	<u>128,250</u>

CALCULATION OF CREDIT (SECOND QUARTER)

	<u>Total Payroll</u>	<u>Available For Credit</u>	<u>Maximum Wage Base</u>	<u>Resulting Credit (50%)</u>
Employee 1	13,000	11,000	10,000	5,000
Employee 2	13,000	11,000	10,000	5,000
Employee 3	13,000	11,000	10,000	5,000
Employee 4	13,000	11,000	10,000	5,000
Employee 5	13,000	11,000	10,000	5,000
Employee 6	13,000	11,000	10,000	5,000
Employee 7	13,000	11,000	10,000	5,000
Employee 8	13,000	11,000	10,000	5,000
Employee 9	13,000	11,000	10,000	5,000
Employee 10	13,000	11,000	10,000	5,000
TOTALS	<u>130,000</u>	<u>110,000</u>	<u>100,000</u>	<u>50,000</u>

Complete 941, Worksheet 1 to Determine the Refundable / Non-Refundable Credits

	(Form 941, Part 3, line 20)		
2g	Employer share of Medicare tax on qualified family leave wages. Multiply line 2e(ii) by 1.45% (0.0145)	2g	_____
2h	Credit for qualified family leave wages. Add lines 2e(ii), 2f, and 2g	2h	_____
2i	Credit for qualified sick and family leave wages. Add lines 2d and 2h	2i	_____
2j	Nonrefundable portion of credit for qualified sick and family leave wages. Enter the smaller of line 1l or line 2i. Enter this amount on Form 941, Part 1, line 11b	2j	_____
2k	Refundable portion of credit for qualified sick and family leave wages. Subtract line 2j from line 2i and enter this amount on Form 941, Part 1, line 13c	2k	_____
Step 3.	Figure the employee retention credit		
3a	Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 941, Part 3, line 21)	3a	_____
3b	Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 941, Part 3, line 22)	3b	_____
3c	Add lines 3a and 3b	3c	_____
3d	Retention credit. Multiply line 3c by 50% (0.50)	3d	_____
3e	Enter the amount of the employer share of social security tax from Step 1, line 1l	3e	_____
3f	Enter the amount of the nonrefundable portion of the credit for qualified sick and family leave wages from Step 2, line 2j	3f	_____
3g	Subtract line 3f from line 3e	3g	_____
3h	Nonrefundable portion of employee retention credit. Enter the smaller of line 3d or line 3g. Enter this amount on Form 941, Part 1, line 11c	3h	_____
3i	Refundable portion of employee retention credit. Subtract line 3h from line 3d and enter this amount on Form 941, Part 1, line 13d	3i	_____

Complete 941 To Claim Your Refund (Page 1)

2	Wages, tips, and other compensation	2	130000
3	Federal income tax withheld from wages, tips, and other compensation	3	13000
4	If no wages, tips, and other compensation are subject to social security or Medicare tax	<input type="checkbox"/> Check and go to line 6.	
		Column 1	Column 2
5a	Taxable social security wages	130000	$\times 0.124 = 16120$
5a (i)	Qualified sick leave wages		$\times 0.062 =$
5a (ii)	Qualified family leave wages		$\times 0.062 =$
5b	Taxable social security tips		$\times 0.124 =$
5c	Taxable Medicare wages & tips	130000	$\times 0.029 = 3770$
5d	Taxable wages & tips subject to Additional Medicare Tax withholding		$\times 0.009 =$
5e	Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(ii), 5b, 5c, and 5d	5e	19890
5f	Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)	5f	
6	Total taxes before adjustments. Add lines 3, 5e, and 5f	6	32890
7	Current quarter's adjustment for fractions of cents	7	
8	Current quarter's adjustment for sick pay	8	
9	Current quarter's adjustments for tips and group-term life insurance	9	
10	Total taxes after adjustments. Combine lines 6 through 9	10	32890
11a	Qualified small business payroll tax credit for increasing research activities. Attach Form 8974	11a	
11b	Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1	11b	0
11c	Nonrefundable portion of employee retention credit from Worksheet 1	11c	8060

Name (not your trade name)	Employer identification number (EIN)
The Vermont Company, Inc.	03-1111111

Part 1: Answer these questions for this quarter. (continued)

11d	Total nonrefundable credits. Add lines 11a, 11b, and 11c	11d	8060
12	Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10	12	24830
13a	Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter	13a	32890
13b	Deferred amount of social security tax	13b	0
13c	Refundable portion of credit for qualified sick and family leave wages from Worksheet 1	13c	41940
13d	Refundable portion of employee retention credit from Worksheet 1	13d	
13e	Total deposits, deferrals, and refundable credits. Add lines 13a, 13b, 13c, and 13d	13e	74830
13f	Total advances received from filing Form(s) 7200 for the quarter	13f	0
13g	Total deposits, deferrals, and refundable credits less advances. Subtract line 13f from line 13e	13g	74830
14	Balance due. If line 12 is more than line 13g, enter the difference and see instructions	14	
15	Overpayment. If line 13g is more than line 12, enter the difference	50000	Check one: <input type="checkbox"/> Apply to next return. <input checked="" type="checkbox"/> Send a refund

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

- 16 Check one: Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below; if you're a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.
- You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total

Complete 941 To Claim Your Refund (Page 2)

Employee Retention Tax Credit

FINAL TAKEAWAYS

- RE-VISIT 2020 IN CASE YOU QUALIFY FOR AN ERTC (\$5k per employee)
 - PAY ATTENTION IN 2021 (Up to \$14k per employee)
- We're expecting Interim Guidance to be issued by the IRS on or about January 13, 2020.
- The Interim Guidance Should Include (Among Other Things):
 - How To Claim Previous Quarter Credits On Quarter 4 Return (which is due 1/31/2021)
 - Calculation Clarification

QUESTIONS?

CONTENT & TOPICS

- Targeted EIDL Grants & Prioritization
- EIDL Loans
- Shuttered Venue Operator Grants
- Extended Debt Relief Program
- Modifications to SBA 7(a) Loan Programs
- Recovery Assistance under the SBA Microloan Program

Darcy Carter, SBA

District Director, darcy.carter@sba.gov

**EIDL Advances under CARES Act
as of 7/15/20:**

USA: 5,781,390 = \$20 billion

Vermont: 11,425 = \$35,587,000

**EIDL Loans under CARES Act as of
11/23/20:**

USA: 3,645,556 = \$194,374,549,652

Vermont: 6,310 = \$345,615,010

**TARGETED ECONOMIC
INJURY DISASTER LOAN
(EIDL) GRANT**

Darcy Carter, SBA

- **SBA Targeted EIDL Advance**
Section 331

- Direct **grant** from SBA through the Economic Injury Disaster Loan advance program under section 1110 of the CARES Act
- For businesses and private non-profits (except agricultural enterprises) which are:
 - **Located in low-income communities**, and
 - **Have not more than 300 employees**, and
 - **Have suffered an economic loss:** a reduction in gross receipts **greater than 30%** defined by the amount by which the gross receipts of the business declined during an 8-week period between March 2, 2020 and December 31, 2020 relative to a comparable 8-week period preceding March 2, 2020, or during 2019.
- For seasonal businesses, the economic loss amount is to be determined by the Administrator.

TARGETED EIDL GRANT

Darcy Carter, SBA

- **SBA Targeted EIDL Advance
Additional Eligibility
*Section 331***

- All applicants must have no more than 300 employees and be located in low-income community
- For-profit small business
- Sole proprietor with or without employees, or independent contractor
- Cooperative
- Employee Stock Ownership Plan (ESOP)
- Tribal small business concern
- Private non-profit organization, or 501(c), (d), (e), or faith-based organization
- Small agricultural cooperative, aquaculture enterprise, nursery, producer cooperative
- Low-income community is defined in section 45D(e) of Internal Revenue Code (New Market Tax Credits criteria, such as census tract with median family income no more than 80% of state average income)

TARGETED EIDL GRANT

Darcy Carter, SBA

Priority Processing for Targeted EIDL Advance

- **1st Priority:** EIDL advance grantees which are located in a low income community, have no more than 300 employees, suffered an economic loss of 30%, AND previously received a COVID EIDL Advance less than \$10,000. The grant will be for the difference between what grantee received before and \$10,000.
- **2nd Priority:** COVID EIDL Advance applicants that meet the above eligibility and applied for COVID EIDL Advance previously but did not secure grants because funding had run out. Eligible for \$10,000 Targeted EDIL Advance.
- **3rd Priority:** new Targeted EIDL Advance applicants that meet the above eligibility would receive a grant of \$10,000.
- \$20 billion in Targeted EIDL Advance funding, of which \$20 million allocated to SBA Inspector General

TARGETED EIDL GRANT

Darcy Carter, SBA

Targeted EIDL Advance Application Process

- Weblink to be announced when portal is open for applications for Targeted EIDL advance
- \$20 billion appropriation will remain available through 12/31/21
- SBA has 21 days to screen for eligibility, disburse grant or notify applicant why they are not entitled to the advance
- Targeted EIDL Advance does not have to be repaid.
- SBA shall require such information necessary to determine eligibility, even if such information was previously submitted for EIDL applications.
- Applications will be processed in the order they are received except that 1st priority is granted to eligible applicants who did not get the full \$10K in their previous advance application and 2nd priority is given to those who applied for the EIDL advance previously but funds ran out.

TARGETED EIDL GRANT

Darcy Carter, SBA

Targeted EIDL Advance Application Information Needed

- Business Activity
- Number of Employees as of January 31, 2020
- Business legal name, business trade name
- EIN/SSN for Sole Proprietor
- Organization type
- Indicate if non-profit or franchise
- Financials – gross revenues, COGS (cost of operations for NP) for 2019 (may need monthly)
- Business address, phone, email, POC information
- Date business established
- Business ownership – at least 81% must be identified
- Bank account information
- ID verification including tax returns, driver's license

TARGETED EIDL GRANT

Darcy Carter, SBA

EIDL loan is available through 12/31/21

- Apply directly to SBA online: <https://covid19relief.sba.gov/#/>
 - Currently capped at \$150K maximum (loan amount will be decided by SBA)
 - No obligation to take the loan if offered
 - Applicants can apply for the Coronavirus (COVID-19) EIDL even if they have an existing SBA Disaster Loan or PPP loan
 - No personal guarantees or collateral on loans up to \$25,000
 - Above \$25,000 SBA will require collateral of business assets
 - Real estate may be required to be pledged, if available
 - SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available
 - Rates and terms:
 - 3.75% for small businesses
 - 2.75% for nonprofit organizations
 - 30-year term
 - First 11 months of payments deferred. P & I begins at 12th month
- Targeted EIDL Advance Application Information Needed

SBA Economic Injury Disaster Loan (EIDL) COVID-19

Apply directly to SBA online:
<https://covid19relief.sba.gov/#/>

EIDL Eligibility

- Businesses up to 500 employees, and if over 500 they must meet SBA size standards, or alternative size standard.
- Most private non-profit organizations such as Nursing homes, food kitchens, museums, educational facilities, senior citizen centers, daycare centers, playhouses, community centers, shelters, rescue organizations, associations, religious organizations, etc.
- Generally 501(c), (d), or (e) of the Internal Revenue Code of 195
- Agricultural businesses. Including those businesses engaged in the production of food and fiber, ranching, and raising of livestock, aquaculture, and all other farming and agricultural related industries (as defined by section 18(b) of the Small Business Act (15 U.S.C. 647(b)).

SBA Economic Injury Disaster Loan (EIDL) COVID-19

Apply directly to SBA online:
<https://covid19relief.sba.gov/#/>

EIDL Eligible Expenses

- Make payments on fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred
- Can payoff short term and interim loans used in anticipation of receiving EIDL funding

EIDL loan funds CANNOT be used for these things:

- Cannot refinance long term debt
- Cannot pay dividends, bonuses, or make disbursement to owners unless it is usual/customary salary
- Cannot repay stockholder loans
- Cannot expand business or buy fixed assets
- Cannot make repairs to real estate
- Cannot be used to repay direct Federal Debt of any kind. Such as SBA Disaster loans, Educational loans, etc.
- Cannot pay IRS past due obligations unless on an authorized repayment agreement.

SBA Economic Injury Disaster Loan (EIDL) COVID-19

Apply directly to SBA online:
<https://covid19relief.sba.gov/#/>

ELIGIBILITY REQUIREMENTS

- Live venue operator or promoter, theatrical producer, live performing arts organization operator, relevant museum operator, motion picture theatre operator or talent representative applicant must:
- Have been fully operational on February 29, 2020, and
- Has gross earned revenue during 1st, 2nd, 3rd, or only with respect to an application submitted on or after January 1, 2021, 4th quarter in 2020 demonstrating not less than a 25% reduction from its gross earned revenue during same quarter in 2019, and
- As of the date of the grant, all must be operating or intending to operate, or open or intend to reopen, or representing/managing artists/entertainers

SBA Grants for Shuttered Venue Operators (SVO)

Apply directly to SBA online:
<https://covid19relief.sba.gov/#/>

ELIGIBILITY REQUIREMENTS

- Venues at which live venue operator/promoter, theatrical producer, or live performing arts organization operator promotes, produces, manages or hosts events or the artists/entertainers represented or managed by the talent representative perform must have the following characteristics:
 - Defined performance and audience space
 - Mixing equipment, PA system, lighting rig
 - Engages 1 or more individuals to carry out not less than 2 of the following roles: sound engineer, booker, promoter, stage manager, security personnel, box office manager
 - Paid ticket or cover charge to attend most performances, artists are paid fairly/not for free or solely tips (except fundraisers)

SBA Grants for Shuttered Venue Operators (SVO)

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ELIGIBILITY REQUIREMENTS

- For venue owned/operated by a nonprofit entity that produces free events, events are produced and managed primarily by paid employees, not by volunteers.
- Performances are marketed through listings in printed or electronic publications, on websites, by mass email, or on social media
- A motion picture theatre or motion picture theatres operated by the motion picture theatre operator must have:
 - at least 1 auditorium with motion picture screen and fixed audience seating,
 - a projection booth or space containing not less than 1 motion picture projector,
 - a paid ticket charge to attend exhibition of motion pictures, and
 - motion picture exhibitions are marketed through showtime listings in printed or electronic publications, on websites, by mass mail, or on social media

SBA Grants for Shuttered Venue Operators (SVO)

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ELIGIBILITY REQUIREMENTS

- Relevant museum(s) for which relevant museum operator is seeking a grant have the following characteristics:
- Serves as a relevant museum as its principal business activity
- Has indoor exhibition spaces that are a component of the principal business activity and which have been subjected to pandemic-related occupancy restrictions, and
- Has at least 1 auditorium, theater, or performance or lecture hall with fixed audience seating and regular programming
- “Relevant Museum” has the meaning given the term “museum” in section 273 of the Museum and Library Services Act 20 USC 9172, and shall not include any for profit entity

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DEFINITION OF A “RELEVANT MUSEUM”

- **9172. Definitions**

As used in this subchapter:

- (1) Museum
 - The term "museum" means a public, tribal, or private nonprofit agency or institution organized on a permanent basis for essentially educational, cultural heritage, or aesthetic purposes, that utilizes a professional staff, owns or utilizes tangible objects, cares for the tangible objects, and exhibits the tangible objects to the public on a regular basis. Such term includes museums that have tangible and digital collections and includes aquariums, arboretums, botanical gardens, art museums, children's museums, general museums, historic houses and sites, history museums, nature centers, natural history and anthropology museums, planetariums, science and technology centers, specialized museums, and zoological parks.

SBA Grants for Shuttered Venue Operators (SVO)

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OTHER ELIGIBILITY CRITERIA

- Eligible applicant does not have or is not majority owned/controlled by an entity that is on the National Securities Exchange (publicly traded), and does not receive more than 10% of gross revenue from federal funding in 2019 (excluding SBA disaster relief assistance)
- Eligible applicant does not have or is not majority owned/controlled by an entity that owns/operates venues, museums, motion picture theatres, talent agencies/talent management co. in more than 1 country or owns/operates same in more than 10 states
- Does not employ more than 500 employees (FTE) as of Feb. 29,2020
- Has not received a PPP loan

SBA Grants for Shuttered Venue Operators (SVO)

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OTHER ELIGIBILITY CRITERIA

- For eligible applicants that are owned by a State or political subdivision of a State:
- Shall be the live venue operator/promoter, theatrical producer, or live performing arts organization operator, relevant museum operator, motion picture theatre operator or talent representative, AND
- Shall not include entities of the State or political subdivision other than the live venue operator/promoter, theatrical producer, live performing arts organization operator, relevant museum operator, motion picture theatre operator or talent representative.

SBA Grants for Shuttered Venue Operators (SVO)

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OTHER ELIGIBILITY CRITERIA AND DEFINITIONS

- **Exclusion:** eligible person or entity shall not present live performances of prurient sexual nature or sale of products/services of prurient sexual nature
- **Full-time employee:** works 30 or more hours per week
- **Half-time employee:** works between 10 and 29 hours per week
- **Multiple Business Entities:** each business entity of an eligible person or entity is considered an independent, non-affiliated entity

SBA Grants for Shuttered Venue Operators (SVO)

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DEFINITIONS

- **Live Venue Operator or Promoter, Theatrical Producer or Live Performing Arts Organization Operator is**
 - An individual or entity that, as a principal business activity, organizes, promotes, produces, manages, or hosts live concerts, comedy shows, theatrical productions, or other events by performing artists for which:
 - A cover charge through ticketing or front door entrance fee is applied, and
 - Performers are paid in an amount based on % of sales, a guarantee (in writing or contract), or other mutually beneficial formal agreement, and
 - For which not less than 70% of the earned revenue of the individual/entity is generated through cover charges or ticket sales, production fees or production reimbursements, nonprofit educational initiatives, or the sale of event beverages/food/merchandise, OR

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DEFINITIONS

- **Live venue operator/promoter, theatrical producer, or live performing arts organization operator definition, continued:**
 - An individual/entity as a principal business activity makes available for purchase by the public an average of not less than 60 days before the date of the event tickets to events stated above for which performers are paid in an amount based on a % of sales, a guarantee (written or contract) or other mutually beneficial formal agreement, AND
 - Includes and individual/entity that operates for profit, is a nonprofit organization, is government owned, or is a corporation, LLC, partnership or sole proprietorship.

SBA Grants for Shuttered Venue Operators (SVO)

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DEFINITIONS

- **Motion picture theatre operator:**
 - An individual/entity that as the principal business activity of the individual/entity, owns or operates at least 1 place of public accommodation for the purpose of motion picture exhibition for a fee; and
 - Includes an individual or entity that operates for profit, is a nonprofit organization, is government-owned, or is a corporation, LLC, partnership or sole proprietorship.
 - Nonprofit: the term “nonprofit” with respect to an organization means that the organization is exempt from taxation under section 501(a) of the Internal Revenue Code of 1986.

SBA Grants for Shuttered Venue Operators (SVO)

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DEFINITIONS

- **Talent Representative**
 - An agent or manager that has not less than 70% of the operations of the agent or manager is engaged in representing or managing artists and entrepreneurs;
 - Books or represents musicians, comedians, actors, or similar performing artists primarily at live events in venues or at festivals; and
 - Represents performers that are paid in an amount that is based in the number of tickets sold or a similar basis; and
 - Includes and agent or manager that operates for profit, is a nonprofit corporation, is government owned or a corporation, LLC, partnership or sole proprietorship.

SBA Grants for Shuttered Venue Operators (SVO)

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APPLICATION PROCESS

- The SBA Office of Disaster Assistance will coordinate the administration of this direct grant program
- Certification of Need: an eligible person/entity applying for a grant shall submit a good faith certification that the uncertainty of current economic conditions makes necessary the grant to support the ongoing operations of the eligible person/entity.
- Initial Priority for Awarding SVO grants:
 - **1st Priority:** during initial 14-day period of grant awards, SBA shall only award grants to an eligible person/entity with revenue during 4/1/20 through 12/31/20 that is not more than 10% of the revenue of the eligible person/entity during period from 4/1/19 to 12/31/19 due to the COVID-19 pandemic.

SBA Grants for Shuttered Venue Operators (SVO)

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APPLICATION PROCESS

- **2nd Priority:** During the 14-day period immediately following the 14-day period above mentioned, SBA shall only award grants to an eligible person/entity with revenue during the period from 4/1/20 to 12/31/20 that is not more than 30% of the revenue of the eligible person/entity during the period from 4/1/19 to 12/31/19.

Determination of Revenue:

- Any amounts received by eligible person/entity under the CARES Act or amendment shall not be counted as revenue.
- SBA will use accrual accounting for determining revenue
- SBA may use alternative methods to establish revenue losses for an eligible person/entity that is a seasonal employer and would be adversely impacted if January, February and March are excluded from the calculation of year over year revenues

SBA Grants for Shuttered Venue Operators (SVO)

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Grants after Priority Periods

- After the end of the initial 28-day period during which SBA awards grants, SBA may award an initial grant to any eligible person/entity.
- Limits on Number of Initial Grants to Affiliates – Not more than 5 business entities of an eligible person or entity that would be considered affiliate under the affiliation rules of the SBA may receive a SVO grant.
- Set-aside for Small Employers- Not less than \$2 billion of the total amount (\$15 billion) appropriated for SVO will be awarded to persons/entities which employ not more than 50 full time employees. Time limit – shall not apply on and after the date that is 60 days after SBA begins awarding grants under this set-aside, on and after such date, amounts available for grants for this set-aside may be used for any eligible person/entity

SBA Grants for Shuttered Venue Operators (SVO)

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SBA Grants for Shuttered Venue Operators (SVO)

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- **Supplemental Grants:** SBA can make a supplemental grant to an eligible person/entity that receives a grant if as of April 1, 2021, the revenues of the eligible person/entity for the most recent calendar quarter are not more than 30% of the revenues of the eligible person/entity for the corresponding calendar quarter during 2019 due to the COVID-19 pandemic. Supplemental grant amount is 50% of the initial grant.
- Supplemental grants can only be made after SBA has processed initial grant applications submitted within the first 60 days of the date SBA begins accepting applications.
- Grant Amounts – Initial Grants
- Lesser of 45% of gross revenue of eligible person/entity in 2019, or
- For eligible person/entity that began operations after January 1, 2019, multiply average monthly gross revenues for the months in operation by 6, or \$10 million

SBA Grants for Shuttered Venue Operators (SVO)

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USE OF FUNDS

- Grant funds may be used for costs incurred from March 1, 2020 to December 31, 2020, except for supplemental grants which can be used to cover costs incurred from March 1, 2020 to June 30, 2022.
- **Time to use grant funds:** SVO grantee shall return to SBA any amounts under the grant that are not expended on or before the date that is 1 year after the date of the disbursement of grant.
- **Extension for supplemental grants:** grantee has 18 months from date of disbursement of initial grant to expend funds or return unexpended funds to SBA
- **Allowable expenses:** payroll costs, payments on rent, utilities payments, scheduled mortgage principal and interest payments, scheduled payments of principal or interest on any debt incurred in the ordinary course of business prior to 2/15/20 and is the liability of the eligible person/entity, worker protection expenditures,

SBA Grants for Shuttered Venue Operators (SVO)

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USE OF FUNDS

- Payments to independent contractors (1099-MISC) not to exceed \$100K per independent contractor in annual compensation for any employee of an independent contractor
- Other business expenses: maintenance, administrative costs/fees/licensing costs, state and local taxes and fees, operating leases in effect as of 2/15/20, payments for insurance, advertising, production transportation, capex related to theatrical or live performing arts production, concert, exhibition, or comedy show, except grant should not be used primarily for such expenditures.

Prohibited Expenses:

- Purchase real estate, P& I on loans originated after 2/15/20, invest or re-lend funds, contributions/expenditures on behalf of any political party, party committee or candidate for office or any other use prohibited by SBA.

SBA Grants for Shuttered Venue Operators (SVO)

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COMPLIANCE

SBA shall increase oversight of grantees including:

- **Documentation:** retain employment records 4 years, others 3 years
- SBA may review and audit grants
- In case of fraud or material misrepresentation, SBA may require payment of misspent funds or pursue legal action to collect funds
- SBA is required to report to congress within 45 days of enactment its audit plan for the program

SBA Grants for Shuttered Venue Operators (SVO)

Apply directly to SBA online:
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Payments are made by SBA on behalf of the borrowers on the following loans:

- Resumes the payment of principal and interest (P&I) on small business loans guaranteed by the SBA under the 7(a), 504 and microloan programs, established under the CARES Act.
- All borrowers with qualifying loans approved by the SBA prior to the CARES Act will receive
- An additional three months of P&I, starting in February 2021.
- Going forward, those payments will be capped at \$9,000 per borrower per month.

SBA DEBT RELIEF PROGRAM

Apply directly to SBA online:
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After the three-month period described previously, borrowers considered to be underserved—namely the smallest or hardest-hit by the pandemic—will receive an additional five months of P&I payments, also capped at \$9,000 per borrower per month.

They include:

- Borrowers with SBA microloans or 7(a) Community Advantage loans
- Borrowers with any 7(a) or 504 loan in the hardest-hit sectors, as measured by the severity of sector-wide job losses since the start of the pandemic. They include ...
- Food service and accommodation
- Arts, entertainment and recreation
- Education
- Laundry and personal care services.
- Specifically, North American Industry Classification System codes beginning with 61, 71, 72, 213, 315, 448, 451, 481, 485, 487, 511, 512, 515, 532, or 812

SBA DEBT RELIEF PROGRAM

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- SBA payments of P&I on the first 6 months of newly approved loans will resume for all loans approved between February 1 and September 30, 2021, also capped at \$9,000 per month.
- If the SBA projects that appropriations provided for the debt relief program are insufficient to fund the extensions provided, the Administrator may proportionally reduce the number of months provided in each extension.
- Clarifies eligibility and increases program integrity:
- Loans must be approved before the applicable deadlines AND the loan has been fully disbursed.
- SBA may establish a minimum loan maturity period for each loan product covered under this section to prevent program abuse.
- Any business or applicant may only receive P&I payments for only one loan approved after CARES Act enactment.
- Requires that SBA place program information on its website, conduct outreach to all borrowers, report monthly to Congress on program spending, and educate lenders, borrowers, SBA district offices, and resources partners about the program.

SBA DEBT RELIEF PROGRAM

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Enhances the microloan program to increase access to micro capital and technical assistance under the program for businesses impacted by the COVID-19 pandemic.

- Temporarily increases microloan maximum terms from 6 to 8 years.
- Temporarily increases the outstanding aggregate amount each intermediary may borrow from \$6 million to \$10 million to expand their capacity to deploy more capital to small businesses.
- Allows intermediaries to access more technical assistance funding if they serve rural areas.
- Maximizes flexibility and reduces red tape for intermediaries by temporarily waiving the limitations for the technical assistance grants and the 50 percent limitation on pre-loan technical assistance.
- Provides \$50 million in additional funding for Microloan Technical Assistance funding for lenders
- Provides \$7 million to leverage about \$64 million more in microloans to businesses.

RECOVERY ASSISTANCE: SBA MICRO LOAN PROGRAM

Apply directly to SBA online:
<https://covid19relief.sba.gov/#/>

- Darcy Carter, District Director, darcy.carter@sba.gov
- Susan Mazza, Deputy Director, susan.mazza@sba.gov
- Kevin Morehouse, Lender Relations Specialist,
kevin.morehouse@sba.gov
- Brian DeClue, Lender Relations Specialist,
brian.declue@sba.gov
- Daniel Monahan, Public Affairs Specialist,
Daniel.Monahan@sba.gov

Vermont SBA Office main phone number: 802-828-4422

CONTACT SBA

Apply directly to SBA online:
<https://covid19relief.sba.gov/#/>

FAMILIES FIRST CORONAVIRUS RELIEF ACT

FFCRA Paid Sick Leave required covered employers to provide 80 hours of paid sick leave for COVID-19 related reasons, plus an additional 10 weeks of paid family and medical leave at 2/3 pay for employees needing to care for a child due to a school or child care provider closure.

These requirements expired on December 31, 2020.

- The Consolidated Appropriations Act (2021), **did not extend the requirement that employers make paid sick leave and expanded family and medical leave available to employees.**
- However, it did extend the tax credit available to employers for payments made to employees as paid sick leave or expanded family and medical leave through March 31, 2021.

Thus, **employers may voluntarily elect to provide paid sick leave and expanded family and medical leave to employees and will receive tax credits for doing so through March 31, 2021.** There is no legal requirement that they do so.

Any paid sick leave or expanded family and medical leave taken by employees up to December 31, 2020 must still be paid by employers despite the expiration of the FFCRA.