

## **Small Business Aspects of COVID Relief Bill**

**Summary:** The COVID package extends the Paycheck Protection Program (PPP), establishes second draw PPP loans, establishes a more targeted Economic Injury Disaster Loan (EIDL) grant program, creates a small new grant program for independent live venues, and allows businesses to deduct PPP expenses.

Below is a topline summary of the small business section the COVID package:

### **PPP**

- Reinstates the PPP program until March 31, 2021.
- Establishes a second draw PPP loan for small businesses that sustained a revenue loss of 25% and with fewer than 300 employees. The second draw PPP loans also:
  - Maximum loan amount is \$2 million, down from \$10 million maximum for the first PPP loan;
  - Loan amount may be 2.5 times the average monthly payroll costs in the one year prior to the loan or the calendar year;
  - Businesses with multiple locations that are eligible entities under the initial PPP requirements may employ not more than 300 employees per physical location;
  - Businesses must have used the full amount of their first PPP to qualify;
  - To qualify, small businesses must show a sustained revenue loss of 25% or more in lost gross receipts during an 8-week period between March 2, 2020, and December 31, 2021, relative to a comparable 8-week period immediately preceding March 2, 2020, or during 2019.
  - 60% of PPP funds must go to payroll expenses in order to qualify for forgiveness, the other 40% of PPP funds may go to other eligible expenses (like rent, mortgage interest, PPE, etc).
- Establishes the following set asides for PPP program:
  - \$15 billion of PPP loans to be issued by community financial institutions, including community development financial institutions (CDFIs) and minority depository institutions (MDIs);
  - \$15 billion for PPP loans to be issued by smaller financial institutions, ie banks or credit unions with \$10 billion or less in assets;
  - \$35 billion for first-time borrowers, \$15 billion of which is for PPP loans for small businesses with 10 or fewer employees or for PPP loans of \$250,000 or less that are made in low-income or moderate income neighborhoods (as defined by the Community Reinvestment Act);
  - \$25 billion of second draw loans to be made to small businesses with 10 or fewer employees or for PPP loans of \$250,000 or less that are made in low-income or moderate income neighborhoods (as defined by the Community Reinvestment Act);
- For restaurants: This bill allows restaurants and hotels to calculate their second draw PPP based on 3.5 months of payroll, not the 2.5 months of payroll used for other businesses.
- Allows business expenses paid for with the proceeds of PPP loans to be tax deductible (this was also a restaurant industry ask).
- Simplifies the PPP loan forgiveness process for PPP loans of \$150,000 or less. While this is not the automatic PPP loan forgiveness that was included in YOUR *Paycheck Protection Forgiveness Act*, the bipartisan bill does allow small businesses with PPP loans of \$150,000 or less to fill-out a simplified one-page forgiveness application.
- Expands eligible PPP expenses to include supplier costs, PPE, and adaptive investments to help comply with federal and safety guidelines related to COVID-19.
- Establishments that receive new venue operator grants are excluded from receiving PPP or second draw PPP loans.
- Provides an additional \$284 billion in PPP funding for first and second draw loans.
- SBA has 10 days after this bill is passed to issue rules pertaining to this bill.

## **Targeted EIDL advance grant**

- Creates a targeted EIDL advance grant of \$10,000 for small businesses that have suffered an economic loss of at least 30%, have 300 employees or fewer and are located in low-income communities.
  - Qualifying low-income communities include census tracts that have at least one of the following criteria: (1) has a poverty rate of at least 20%; (2) is located in a metropolitan area and has a median family income below 80% of the greater of the statewide or metropolitan area median family income; or (3) is located outside a metropolitan area and has a median family income below 80% of the median statewide family income.
- Authorizes \$20 billion for new grant.

## **Provisions for live venues**

- Includes \$15 billion in dedicated grants for live venues operators or promoters, theatrical producer, live performing arts organization operators, museum operators, motion picture theatre operators, or talent representatives who demonstrate 25% reduction in revenues. The Save Our Stages Act, which YOU cosponsored, provided \$10 billion in grants to independent live venues.
- Sets aside \$2 billion for entities that employ not more than 50 full-time employees.
- The SBA may make an initial grant of up to \$10 million and a supplemental grant that is equal to 50% of the initial grant.
- The size of the grant will be based on average monthly costs multiplied by six, or \$10 million.
- Grant funds can be used towards allowable expenses, which include:
  - Payroll costs, rent, utility payments, mortgage interest, interest on other types of debt incurred in ordinary course of business, worker protection expenditures (like PPE), payments to independent contractors;
  - Other ordinary expenses, including maintenance expenses, administrative costs, state and local taxes, operating leases, payments required for insurance,

## **Miscellaneous provisions**

- Repealed EIDL advance loophole which required PPP borrowers to deduct the amount of their EIDL advance for their PPP forgiveness amount, essentially requiring borrowers to repay the EIDL advance.
- Extends debt relief program: Bill resumes payment of principal and interest on small business loans guaranteed by the SBA under the 7(a), 504 and microloan programs.