



## Small Business Fact Sheet: COVID-19 Federal Financial Relief Programs

The U.S. federal government has established key small business financial relief programs in response to the COVID-19 pandemic. This Fact Sheet provides an overview of the [Paycheck Protection Program](#), [Economic Injury Disaster Loans](#), [Shuttered Venue Operators Grants](#), [Restaurant Revitalization Fund Grants](#) and the [Community Navigator Pilot Program](#), as recently addressed in the relief bill signed on March 11, 2021 and in relevant guidance. This information is quickly evolving. Be on the lookout for further changes. For assistance understanding these financing options, consider applying for a [Rapid Response Program](#) consultation at Start Small Think Big.

### I. Paycheck Protection Program (PPP)

#### Applying for a First or Second Draw PPP Loan

##### Timing & Terms

- An additional \$7.25 billion was allocated for PPP loans (for a total of \$292 billion) to qualifying small businesses, sole proprietors, independent contractors, and self-employed individuals that were operational on or before 2/15/2020.
- First-time and returning PPP borrowers may be eligible for loans.
- The loan application [deadline](#) is 5/31/2021 (6/30/2021 for processing).
- The maximum loan amount is equal to the [lesser](#) of: **2.5 times the borrower's average monthly payroll costs** (or 3.5 times, for hotel/food service businesses seeking second draw loans) measured across either 2019 or 2020 (or, for borrowers that are not self-employed individuals, the 1-year period prior to loan date) [and](#) either (i) **\$10 million** (for first-time PPP borrowers) [or](#) (ii) **\$2 million** (for returning borrowers).
- Sole proprietors, independent contractors, and self-employed may now use gross income instead of net profits to calculate payroll costs.
- To apply for a PPP loan, see [here](#) for forms and additional guidance.

##### First-Draw PPP Loans for New Borrowers

- Some of the previous guidelines for existing PPP loans apply to new borrowers (*e.g.*, size limits).
- Borrowers who returned part of their original PPP loan may reapply for a loan for an amount equal to the amount they accepted [minus](#) the amount previously approved. Borrowers who did not accept the full amount of their original PPP loan may request an increase in the amount of their loan [up to](#) the amount previously approved.
- Otherwise eligible businesses may not receive a PPP loan under certain circumstances, including if the business owners have financial felony convictions within the last five years or have been delinquent in a federal loan (other than a federal student loan) within the last seven years, or if the business has received a Shuttered Venue Operators Grant.

##### Second-Draw PPP Loans for Returning Borrowers

- Borrowers who already received a PPP loan can apply for an additional loan of up to \$2 million if they:
  - o have no more than 300 employees,
  - o saw a decline of at least 25% in gross receipts (not including the forgiven amount of a prior PPP loan) in any 2020 quarter as compared with the same quarter in 2019 (subject to special provisions for borrowers that were not in operation during 2019) or if the borrower was not in operation in all four quarters of 2019, saw a decline of at least 25% in annual receipts in 2020 as compared to 2019, and
  - o have (or will have, by the date the new loan is received) used the full amount of their first PPP loan (including the amount of any increase on their first loan) entirely on eligible payroll and non-payroll expenses.

## Using PPP Loan Proceeds

### Additional Eligible Expenses

- PPP loans (including PPP loans that were issued before the March 2021 stimulus bill) can be used for additional categories of non-payroll expenses and still be eligible for loan forgiveness.
- To be eligible for full forgiveness, at least 60% of proceeds must be used for payroll expenses. Loan proceeds may not be used for lobbying activities or expenses.
- Eligible non-payroll expenses (at most 40% of total forgiven amount) include:
  - o Mortgage interest payments on mortgage incurred before February 15, 2020;
  - o Rent, lease, and utility payments for contracts arising before February 15, 2020;
  - o Certain operations expenditures, including payments for software/computing services that facilitate operations, product/service delivery, payroll and HR functions, and sales, billing and accounting functions;
  - o Certain costs due to property damage or vandalism resulting from public disturbances during 2020;
  - o Payments to suppliers that are essential to the business (so long as the applicable contract/purchase order was in effect before receipt of the PPP loan or, with respect to perishable goods, during the covered period); and
  - o Costs of worker protections to comply with COVID-19 health and safety guidelines issued after 3/1/2020, including personal protective equipment and facility modifications such as drive-through windows, sneeze guards, air filtration systems, expansion of outdoor spaces and health screening capacities (but not for residential real property or intangible property).

### Availability of Tax Deductions

- Businesses will be allowed to take tax deductions for otherwise deductible business expenses (including wages) even if paid with proceeds of PPP loans that are forgiven.

### Flexible Covered Period

- Borrowers may spend their PPP loan proceeds during a “covered period” lasting anywhere from 8 to 24 weeks after they receive their loan (at the borrower’s election).

## Applying for PPP Loan Forgiveness with a Lender

### No Deduction for EIDL Advances

- If a PPP borrower received an EIDL grant advance, the grant advance amount will not be deducted from the PPP loan forgiveness amount.
- This rule also applies to prior PPP loans. The U.S. Small Business Administration (“SBA”) will remit a reconciliation payment to PPP lenders for EIDL advances previously deducted. PPP lenders will be responsible for notifying borrowers of these reconciliation payments.

### Forgiveness Application Forms

- A borrower of \$150,000 or less can use the [simplified loan forgiveness application](#), which will only require them to submit to their lender a single-page certification (i) attesting that they complied with the PPP rules and will retain records proving compliance (4 years for employment records and 3 years for all other records relating to the application), and (ii) describing the number of employees the borrower was able to retain due to the PPP loan, the estimated amount of the loan spent on payroll expenses and the total loan value.
- A borrower of more than \$150,000 can use the [EZ forgiveness application](#) if they did not reduce salaries or hourly wages by more than 25% for any employee during the covered period, and either (1) did not reduce the number of employees or average paid hours of employees until the end of the covered period or (2) was unable to operate between February 15, 2020 until the end of the covered period at the same level of business activity as before.
- All other PPP borrowers must use the [standard forgiveness application form](#).

### Additional Clarification on Loan Forgiveness

- The requirements for forgiveness of second draw PPP loans are largely similar to those for first draw loans.
- The SBA may audit loans forgiven under the PPP and adjust the loan/forgiveness amount.
- The forgiven amount of any PPP loan will be excluded from the calculation of (i) gross income for tax purposes, and (ii) gross receipts for purposes of determining eligibility for a second-draw PPP loan.

For an overview of the PPP generally and for detailed forgiveness calculations, please see [here](#).

## II. Economic Injury Disaster Loans (EIDL)

### Applying for an EIDL

- Eligible small businesses, sole proprietors and self-employed individuals may continue to apply for an [EIDL loan](#) with the SBA to use toward working capital and ordinary operating expenses. Applicants must be independently owned and operated, and must have been in operation on or before January 31, 2020.
- As of April 6, the principal amount for SBA loan may be 24 months of economic injury, up to \$500,000. The SBA will contact businesses that previously were approved for smaller loan amounts about how they can request an increase.
- Interest rates on EIDL loans are 3.75% for businesses (2.75% for nonprofits) and repayment terms are up to 30 years (determined on a case-by-case basis) with payments deferred for 24 months for loans made in 2020 and 18 months for loans made in 2021.

### Targeted EIDL Advances

- The March 2021 stimulus bill included \$15 billion for “Targeted EIDL Advances,” grant advances available to businesses and nonprofit organizations that previously applied for the original EIDL Advance program.
- This program will allow qualifying businesses who did not receive the full \$10,000 under the original program to receive that amount now.
- These funds do not need to be repaid.
- The advance is not included in taxable income and will not be deducted from the forgiven amount of a PPP loan (as discussed above).
- To qualify for a Targeted EIDL advance, the applicable small business, private nonprofit, sole proprietorship, or independent contractor must (i) be located in a low-income community (SBA has released an online tool [here](#)); (ii) have suffered economic loss greater than 30% during an 8-week period between 3/2/2020 and 12/31/2021, compared to a comparable 8-week period immediately preceding 3/2/2020 or during 2019, and (iii) have no more than 300 employees. **There is no need to take any action; the SBA is reaching out to those who qualify.**
- The SBA is first reaching out (via email) to applicants who received partial EIDL Advances (between \$1,000 - \$9,000) and then is reaching out to those who applied for EIDL assistance on or before 12/27/2020, but did not receive an EIDL Advance due to lack of program funding. There are currently no plans to open the program to new applications beyond the first 2 priority groups.
- All applicants may be asked to provide an [IRS Form 4506-T](#) to allow SBA to request tax return information on the applicant's behalf.

### Supplemental Targeted EIDL Advances

- Further legislation created a “Supplemental Targeted EIDL Advance” program to extend one-time \$5,000 grants. Eligible businesses must (i) meet the eligibility criteria for a targeted EIDL advance (described above), (ii) have suffered an economic loss of greater than 50 percent, and (iii) not employ more than ten employees.

*For an overview of EIDL loans and advances generally, please see [here](#).*

### III. Shuttered Venue Operators Grants (SVOG)

- Congress approved \$15 billion of new funds for grants to live performance, museum and movie theater operators that were forced to close due to COVID-19.
- A grant amount is either (i) 45% of the gross earned revenue during 2019 (if the business was in operation on 1/1/19) or (ii) the average monthly gross revenue for each full month the business was in operation during 2019, multiplied by 6, in each case up to a maximum of \$10 million.
- Eligible businesses must (i) have been fully operational by 2/29/2020; (ii) have seen a decline of at least 25% in gross receipts in any 2020 quarter as compared to the same quarter in 2019; and (iii) intend to resume operations substantially similar to those prior to COVID-19. Additional requirements might apply to each type of SVOG eligible entity.
- A business **will not** be eligible to receive a grant if it:
  - o is owned or controlled by a publicly traded business;
  - o received more than 10% of its gross revenue from federal funding during 2019;
  - o has more than two of the following: (i) operates in more than one country, (ii) operates in more than 10 U.S. states, or (iii) had more than 500 employees as of 2/29/2020; or
  - o received a PPP loan on or after 12/27/2020.
- SVOG applicants are also encouraged to obtain a System for Award Management (“SAM”) number as soon as possible, as one will be required for the SVOG application and SAM registration may take up to two weeks. [Register for a SAM number here.](#)
- Grants can be used for PPP-eligible costs and expenses arising between 3/1/2020 and 12/31/2021.
- Any grant funds not spent within a year must be returned.

*For an overview of the SVOG program, please see [here](#).*

### IV. Restaurant Revitalization Fund Grants (RRF)

- Congress approved \$28.6 billion in grants for food service businesses that were forced to close due to COVID-19.
- Eligible businesses are restaurants, bars or similar places of business whose primary purpose is the service of food or drink to the public. Businesses are not eligible if they (i) are owned or controlled by a publicly traded business; (ii) have applied for or received an SVOG or (iii) have 20 or more locations.
- Eligible businesses can apply for grants up to the following amounts:
  - o For businesses that were open in 2019, the difference between gross receipts in 2019 and gross receipts in 2020 (or, if only open for a portion of 2019, the difference in average monthly receipts);
  - o For businesses that opened since 1/1/2020, the amount of payroll expenses incurred minus any gross receipts received.
- Grants can be in an amount up to \$5 million per location or \$10 million per business. The grant is not included in taxable income.
- Applications are expected to open in April 2021, with priority during the first 21 days of the program given to businesses that identify as socially or economically disadvantaged.
- Funds must be used for payroll and other eligible expenses including rent, mortgages, utilities, food and beverage expenses and supplier costs between 2/15/2020 and 12/31/2021. Any grant funds not spent in this period must be returned.
- Businesses can apply for both a PPP loan and a RRF grant. However, the amount of any PPP loan will count against the possible amount of an RRF grant.

### V. Community Navigator Pilot Program

- Congress allocated \$100 million to a new grant opportunity aimed at strengthening outreach to underserved businesses (particularly those owned by women, veterans, and socially and economically disadvantaged individuals) by partnering with key community organizations.
- The program will soon be open to proposals from SBA resource partners like Small Business Development Centers (SBDCs), state, tribal and local governments and other non-profit organizations.