



Small Business Development Center UNIVERSITY OF GEORGIA

OVERVIEW & GUIDE

ECONOMIC AID ACT

The Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act is part of the Consolidated Appropriations Act of 2021. This Act provides designed funding to support small business impacted by COVID-19. While some components of the program are similar to the CARES Act passed in March 2020, there are some key differences.

In addition, the U.S. Small Business Administration (SBA) has not released their official guidance. We will continue to update this document as new information becomes available.

Key Component of the Act

- Second Draw of Paycheck Protection Program Loan (PPP2)
- Targeted COVID-19 Economic Injury Disaster Loan (EIDL) Advance
- SBA Guaranteed Loan Debt Relief
- Targeted Programs for:
 - Hardest Hit Businesses
 - Disadvantaged Businesses
- Resolves tax treatment of PPP Forgiveness and Debt Relief Payment

Second Draw of Paycheck Protection Program (PPP2)

Application Deadline: March 31, 2020

Eligible Businesses

- Business with no more than 300 employees.
- Business must have been in business on February 15, 2020.
- Business experienced at least one quarter in 2020 with revenues >25% below corresponding 2019 quarter.
- Same business types as qualified for initial PPP loans.
- If business participated in initial PPP, must have used or will use full amount of loan funds.

Loan Limit Determination

For first time borrowers, there is a loan limit of \$2M. For those who participated in PPP1, there is a combined limit of \$10M.

Loan limits are determined using the following formula:

- 2.5X average monthly 2019 payroll (same as PPP1)
- 3.5X if you're a business with a NAICS Code beginning in 72

Eligible Expenses

In addition to payroll expenses, the Economic Aid Act has expanded eligible expenses, to now also include:

- Operations Expenditures: software, cloud computing, HR and accounting expenses
- Property Damage Costs: repair expenses due to public disturbances not covered by your insurance
- Supplier Costs: supplier costs essential to your business
- Worker Protection Expenditure: cost incurred to protect workers from COVID-19
- Employer Provided Group Insurance: can be included as payroll costs

Seasonal Employers

A business qualifies as a seasonal employer if:

- Operates for no more than seven months in a year
- Earns no more than 1/3 of its receipts in any six month period during the prior calendar year

Seasonal employers can use the highest 12 consecutive weeks of payroll between 2/15/2019 and 2/15/2020 to calculate loan size.

Changes in PPP Forgiveness

There are three new or revised Loan Forgiveness Applications.

Form 3508:

- Use if you are not able to utilize Form 3508Ez 3508S

Form 3508EZ:

- For loans greater than \$150k
- Neither reduced payroll beyond a certain threshold nor total headcount OR you did not reduce payroll beyond a certain threshold AND experienced a decrease in business activity based on Governmental orders

Form 3508S:

- For loans less than \$150k
- One page form mandated by the Economic Aid Act
- Must include the following:
 - Number of employees at the time of application and time of forgiveness
 - Amount of loan spent on payroll cost
 - Amount of requested loan forgiveness
- Must certify that all requirements of the PPP program were complied with.

501(c)(6)

Qualifying 501(c)(6) businesses are now eligible.

- The business cannot have more have more than 15% of its revenue from lobbying efforts.

| KEY TERMS | CARES ACT (PPP 1 Loan) | PPP FLEXIBILITY ACT (PPPFA)* | PPP FINAL IMPACT |
|----------------------------|---------------------------|---------------------------------|---------------------|
| Interest Rate | 1% | 1% | 1% |
| Term | 2 years | 5 years | 2-5 years |
| Deferral Period | 6 months | 10 months+ | 10 months+ |
| Covered Period | 8 weeks | 24 weeks | 8 or 24 weeks |
| Forgiveness Limits: | | | |
| Payroll Expenses | 75% minimum | 60% minimum | 60% minimum |
| Non-Payroll | 25% maximum | 40% maximum | 40% maximum |

Determining Reduction in Gross Receipts

| IF YOU WERE... | YOU MUST... |
|---|---|
| In business for all of 2019... | Show one quarter in 2020 where gross receipts were at least 25% less compared to the same quarter in 2019* |
| In business in Q3 and Q4 of 2019, but not before... | Show one quarter in 2020 where gross receipts were at least 25% less compared to Q3 or Q4 in 2019 |
| In business in Q4 of 2019, but before... | Show one quarter in 2020 where gross receipts were at least 25% less compared to Q4 in 2019 |
| Not in business during 2019... | Show one quarter in 2020 where gross receipts were at least 25% less compared to Q1 2020 |

* May also show a reduction in year over year gross receipts of at least 25%, versus on a quarterly basis.

COVID-19 EIDL and Targeted EIDL Advance

Available until December 31, 2021

Targeted EIDL Advance Changes

- Repeals the EIDL Advance Deduction from forgiveness (those already forgiven will be 'made whole')
- Introduced the Targeted EIDL Advance (limited availability):
 - "Grosses-up" the different between what was granted earlier and \$10k
 - Provides \$10k grant to those who did not get grants because funding had run out

Qualifying for the Targeted \$10,000 EIDL Advance Grant

To qualify for the full \$10,000 EIDL Advance grant, a business must:

- Located in low-income community (as defined by Internal Revenue Code), *and*
- Employ no more than 300 employees, *and*
- Have suffered an economic loss greater than 30%
 - During an 8-week period between March 2, 2020 and December 31, 2021
 - Relative to a comparable 8-week period preceding March 2, 2020 or 2019
- Have previously received a partial EIDL Advance *or*
- Must have applied for EIDL assistance, on or before December 27, 2020, but did not receive an EIDL Advance due to lack of program funding

Total amounts available to eligible entities:

- If you didn't receive an earlier advance – you are eligible to receive \$10k
- If you did receive an earlier advance – you are eligible to receive a grant equal to \$10k minus your earlier advance

The SBA will contact qualified applicants directly. **A new application should not be submitted.**

Eligible Entities (defined by the CARES Act)

In order to be eligible for the targeted EIDL Advance:

- A small business, cooperative, ESOP Tribal concern with <300 employees
- An individual who operates under a sole proprietorship, with or without employees, or as an independent contractor; or a private non-profit or small agriculture cooperative.
- The business must have been in operation by 1/31/20 and must be directly affected by COVID-19.

Determining “Economic Loss”

The term “economic loss” means, with respect to a covered entity:

- (A) The amount by which the gross receipts of the covered entity declined during an 8-week period between 3/2/20 and 12/31/21, relative to a comparable 8-week immediately preceding 3/2/20, or during 2019; *or*
- (B) If the covered entity is a seasonal business concern, such other amount determined appropriate by the Administrator.

Focus on Disadvantaged Businesses

\$15B is set aside for Community Development Financial Institutions (CDFI) and Minority Depository Institutions (MDI) for specific business segments:

- Child Care Providers
- Transportation Providers
- Rental Assistance
- Agriculture

Resolution of Tax Issues

Expenses paid by PPP funds can be claimed as business expenses:

- Resolves the IRS and Treasury guidance that this would constitute ‘double-dipping’ and they couldn’t be used as business expenses.

Debt relief payment of P&I will not be treated as income:

- Reverses guidance that required lenders to issue 1099 forms to borrowers benefiting from this program.

PPP recipients are now able to claim Employee Retention Tax Credits (ERTC) – check with your accountant.

SBA Guaranteed Loan Debt Relief

Pays an additional 3 months of principal and interest (P&I) on existing 7(a), 504 and Microloans:

- Begins in February 2021 – capped at \$9,000 per month
- After 3 months, businesses with selected NAICS codes will receive an additional 5 months of P&I payments – capped at \$9,000 per month
- Designated NAICS codes beginning in: 61, 71, 72, 213, 315, 448, 451, 481, 485, 511, 512, 515, 531 or 812.

Improvements have been made to the SBA 7(a) program:

- Increased SBA guarantee level to 90%
- Reduced to eliminated some fees

Pays 6 months of P&I for any **new** SBA guaranteed loans **approved between** February 1, 2021 and before September 20, 2021.

Summary of SBA Debt Relief Programs

| Key Loan Approval Dates | First Round Payments | Second Round Payments |
|--|---|--|
| On or Before: March 27, 2020 | 6 months of payments beginning in April 2020 | 3 or 8 months beginning in February 2021 |
| Between: March 28, 2020 and September 27, 2020 | 6 months of payments on the next payment date | Dependent upon availability of sufficient funds |
| Between: September 28, 2020 and January 31, 2021 | Do not qualify | Do not qualify |
| Between: February 1, 2021 and September 30, 2021 | Do not qualify | 6 months beginning on the first payment due date |

Shuttered Venue Operators Grant

The Act provide \$15B for SBA grants to:

- Theatrical producers and talent representatives
- Operators of:
 - Live venues
 - Live performing arts organizations
 - Museums
 - Independent motion picture theatres
- Business must demonstrated a 25% reduction in revenue.
- Can be up to \$10 million dollars
- \$2B is set aside for those with less that 50 employees

Key Elements:

- If you receive a PPP loan after December 27, 2020 – you are not eligible for the SVOG.
- Must have been fully operational on February 29, 2020.
- Indoor and outdoor venues with fixed seating quality.
- Must have fewer than 500 employees.
- You will need to register with SAM.gov to receive a grant.
- Grants will be based on 45% of Gross Earned Revenue.

| Priority of Awards | Entities That Qualify |
|--|---|
| First – 1 st 14 Days | Entities that suffered a 90% or greater revenue loss between April 2020 through December 2020 due to the COVID-19 pandemic compared to the same period in 2019. |
| Second – next 14 days | Entities that suffered a 70% or greater revenue loss between April 2020 through December 2020 due to the COVID-19 pandemic compared to the same period in 2019. |
| Third – beginning 28 days after 1 st and 2 nd priority awards | Entities that suffered a 25% or greater revenue loss between one quarter of 2019 and the corresponding quarter of 2020. |
| Supplemental Funding – available after 1st and 2nd priority | Recipients of First and Second Priority round who suffered a 70% or greater loss for the most recent calendar quarter (<i>as of 04-01-21 or later</i>). |

Status of SBA Programs (1/21/2021)

Current Status of Programs

Currently Offering:

- First Draw PPP (PPP1)
 - Initial Application – Apply to Approved SBA Lender
 - Increase in Existing Loan – Apply to ‘Lender of Record’
- Second Draw PPP (PPP2) – Apply to Approved SBA Lender
- Economic Injury Disaster Loan (EIDL) – Apply to SBA
- Express Bridge Loans – Apply to Approved SBA Lender
- SBA Debt Relief (for existing borrowers) – Happens Automatically

Preparing to offer:

- Shuttered Venue Operators Grants (SVOG)
- Targeted EIDL Advance (limited eligibility)

Next Steps

- Review your options as listed in this document. Watch for new SBA of Treasury guidance, our website is good source of information: www.georgiasbdc.org
- Contact your local UGA SBDC office to speak with a business consultant. There are 18 office locations throughout Georgia, covering every county. During this time, consultants are available via phone, email or teleconference only.
- Your UGA SBDC business consultant will be able to answer any question you may have. He/She will also be available to assist you as you navigate the application process.



Small Business Development Center

UNIVERSITY OF GEORGIA

ABOUT THE UGA SBDC

The UGA Small Business Development Center (SBDC) provides tools, training and resources to help small businesses grow and succeed.

Designated as one of Georgia's top providers of small business assistance, the UGA SBDC has 18 offices to serve the needs of Georgia's business community.



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229-420-1144

ATHENS
706-542-7436

GEORGIA STATE UNIVERSITY
404-413-7830

AUGUSTA
706-650-5655

BRUNSWICK
912-264-7343

UNIVERSITY OF WEST GEORGIA
678-839-5082

COLUMBUS
706-569-2651

DEKALB
770-414-3110

GAINESVILLE
770-531-5681

GWINNETT
678-985-6820

KENNESAW STATE UNIVERSITY
470-578-6450

MACON
478-757-3609

MOREHOUSE COLLEGE
470-268-5793

CLAYTON STATE UNIVERSITY
678-466-5100

ROME
706-622-2006

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912-651-3200

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