

# Small Business Relief

*The American Rescue Plan*

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## **Employee retention tax credit, including advance payments**

Through the end of 2021, this credit is available to employers, including non-profits and certain state instrumentalities, whose businesses have been fully or partially closed as a result of a COVID-19 related government order, or which have seen at least a 20 percent drop in year-over-year quarterly gross receipts. An employer may rely on the prior quarter's gross receipts to determine eligibility. For the third and fourth quarters of 2021, new businesses with \$1 million or less in receipts are also eligible, regardless of whether they are subject to a government closure order or experienced a drop in receipts.

Employers with 500 employees or less can claim the credit for wages and health insurance benefits for all employees. Employers with more than 500 employees can only claim wages and health insurance for employees that are not providing services (e.g., furloughed or working reduced hours). A special rule is provided for the third and fourth quarters of 2021 that allows employers, regardless of size, experiencing a drop in gross receipts in excess of 90 percent to claim the credit for wages and health insurance benefits for all employees. Regardless of employer size, the credit is equal to 70% of qualified wages and benefits paid, limited to \$10,000 of wages and benefits per quarter per employee.

The credit is refundable for all employers and advancable for employers with 500 or less employees. Instead of waiting until the next tax filing, these smaller employers can receive up to a full quarter's worth of credits upfront, using prior year payroll information, to help cover payroll costs.

Employers that received PPP funding are now eligible for this credit for other wages paid (wages that are not counted toward PPP loan forgiveness). If an employer was otherwise eligible, the employer can retroactively claim the credit for 2020 calendar quarters. The 2020 credit was available to employers whose business was fully or partially closed as a result of a COVID-19 related government order, or which saw at least a 50 percent drop in year-over-year quarterly gross receipts. The 2020 credit was equal to 50% of qualified wages and benefits paid, limited to \$10,000 per employee.

For employers looking to avail themselves of the credits, they should be alert for forthcoming IRS guidance, including on how to access advance credit payments, or talk to their payroll processor (if they use one).

## **Providing Loan Relief for Businesses with Existing SBA Loans**

The CARES Act provides \$17 billion to ensure that every small business with a loan from the Small Business Administration can be relieved of their loan payments—including principal, interest, and fees—for the next six months. This applies to SBA loans—specifically the 7(a), Community Advantage Pilot Program, 504, and microloan programs. These loan subsidy payments are not subject to federal income tax and any otherwise-deductible interest and fees continue to be tax deductible.

The end-of-year COVID-19 relief and government spending bill provides \$3.5 billion to resume debt relief payments of principal and interest (P&I) on small business loans guaranteed by the SBA under the 7(a), 504 and microloan programs. 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. After the three-month period described above, 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. 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.

*For small businesses looking to avail themselves of this loan relief, visit <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>. Small businesses in Oregon should also reach out to the Oregon District Office of the U.S. Small Business Administration (620 SW Main Street Suite 313, Portland, OR). Phone: 503-326-2682. Fax: 503-326-2808*

### **Paycheck Protection Program (PPP)**

The CARES Act created the Paycheck Protection Program (PPP) to provide small businesses and other entities with zero-fee loans of up to \$10 million. The program is set to expire on March 31, 2021.

The end-of-year COVID-19 relief and government spending bill included \$284 billion for the Paycheck Protection Program (PPP) and extended PPP through March 31, 2021. Specifically, the package:

Provided a second PPP forgivable loan for the hardest-hit small businesses and nonprofits with 300 or fewer employees and that can demonstrate a loss of 25% of gross receipts in any quarter during 2020 when compared to the same quarter in 2019;

Created a dedicated \$15 billion set-aside for lending through community financial institutions, including Community Development Financial Institutions and Minority Depository Institutions to increase access for minority-owned and other underserved small businesses and nonprofits;

Created a set-aside for very small businesses with 10 or fewer employees and for small businesses located in distressed areas;

Expanded PPP eligibility for more critical access hospitals, local newspapers and TV and radio broadcasters, housing cooperatives, and 501(c)(6) nonprofits, including tourism promotion organizations and local chambers of commerce;

Allowed for small businesses in the restaurant and hospitality industries to receive larger awards of 3.5 times average total monthly payroll, rather than 2.5 times;  
Added PPE expenses, costs associated with outdoor dining, and supplier costs as eligible and forgivable expenses;

Simplified the forgiveness process for loans of \$150,000 and less; and  
Repealed the requirement of deducting an EIDL Advance from the PPP forgiveness amount.

The American Rescue Plan Act of 2021 expands PPP eligibility to include additional nonprofits such as 501(c)(5) labor and agricultural organizations and community locations of larger nonprofits, and it provides an additional \$7 billion for that purpose. An additional \$250 million is also provided to expand PPP eligibility for digital news services. The loan forgiveness provided by PPP, including the second draw program, is not subject to federal income tax and any otherwise-deductible business expenses continue to be tax deductible.

**Community Navigator Technical Assistance and Administrative Funding:** The American Rescue Plan provides \$175 million in new assistance to fund community organizations, SBA resource partners, and community financial institutions with experience working in minority, immigrant, and rural communities to serve as community navigators to help connect small business owners to critical resources.

*For more information on how to apply for these loans, please consult the SBA at <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protective-program-ppp>. Small businesses in Oregon should also reach out to the Oregon District Office of the U.S. Small Business Administration (620 SW Main Street Suite 313, Portland, OR). Phone: 503-326-2682. Fax: 503-326-2808*

### **Targeted Economic Injury Disaster Loan (EIDL) Grants**

The CARES Act provided for an advance of up to \$10,000 to small businesses and nonprofits that apply for an SBA economic injury disaster loan (EIDL) within three days of applying for the loan. The EIDL grant does not need to be repaid, even if the grantee is subsequently denied a loan under EIDL, and may be used to provide paid sick leave to employees, maintaining payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. The American Rescue Plan Act of 2021 provides \$15 billion in new funding for Targeted EIDL grants to provide hard-hit, underserved businesses with increased flexible grant relief. EIDL grant proceeds are not subject to federal income tax and otherwise-deductible business expenses paid for with the proceeds of such grant continue to be tax deductible.

**Grants for Shuttered Venue Operators:** The American Rescue Plan Act of 2021 includes an additional \$1.25 billion for the Shuttered Venue Operators Grant program established as part of the end-of-year COVID-19 relief and government spending bill. It also allows eligible applicants to now access both the Shuttered Venue Operators Grant and PPP to address SVOG's delayed start.

**Grants for Restaurants:** The American Rescue Plan Act of 2021 provides \$25 billion in direct relief for restaurants and bars that have lost revenue because of the pandemic through the creation of a new grant program as envisioned in the RESTAURANTS Act.

*For more information about the small business relief provisions in the American Rescue Plan, consult the SBA at <https://www.sba.gov/page/disaster-loan-applications#section-header-0>. Small businesses in Oregon should also reach out to the Oregon District Office of the U.S. Small Business Administration (620 SW Main Street Suite 313, Portland, OR). Phone: 503-326-2682. Fax: 503-326-2808*

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