2021 COVID-19 Economic Aid Overview

Focus on Farmers and Ranchers and Seasonal Employers

Current as of February 5, 2021

This presentation provides a general overview of the programs the SBA is administering related to provisions in the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Economic Aid Act). In the event of any inconsistency between this presentation and the Economic Aid Act, the PPP Flexibility Act of 2020, the CARES Act, PPP IFRs, PPP FAQs, PPP Application Forms and Instructions, and other PPP guidance (together, official guidance), the official guidance governs.

Information Current as of 2/5/21 – Visit SBA.gov/CoronavirusRelief for the most up-to-date information.
Agenda

1. Where We Are
2. SBA COVID-19 Economic Aid Funding Options
3. Loan Program Details – PPP, EIDL
4. Grant Program Details – Targeted EIDL Advance, SVOG
5. Additional Assistance & Resources

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
Congress intended this round of COVID-19 economic aid funding to support the hardest-hit small businesses and those in underserved segments, including women, minorities and veterans.

The SBA is committed to ensuring the programs are launched as quickly as possible to deliver critical economic aid to America’s small businesses and other eligible entities.
SBA COVID-19 Economic Aid Funding Options

**Loan Programs**
- Paycheck Protection Program (PPP)
- Debt Relief on SBA 7(a), 504 and Microloans
- Economic Injury Disaster Loan (EIDL) and Targeted EIDL Advance

**Grant Programs**
- Shuttered Venue Operators Grant (SVOG)

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
Paycheck Protection Program Top Takeaways

• The Economic Aid Act expands PPP eligibility and how funds can be used

• A borrower can now select a covered period to be between 8 and 24 weeks

• Offers a Second Draw PPP loan option for hardest hit small businesses

• Allows for deduction of expenses covered with forgiven PPP loan debt on federal taxes

• Updates simplified forgiveness form to include PPP loans of up to $150,000 (86% of PPP loans submitted in 2020)

• No longer subtracts EIDL Advance from PPP loan forgiveness amount

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
What is a First Draw PPP Loan?
For eligible applicants that did not receive a PPP loan prior to Aug. 9, 2020

- PPP loan eligibility now includes additional types of entities
- Covered eligible expenses are expanded
- Borrowers can set the covered period to use PPP loan proceeds to be any length between 8 and 24 weeks after disbursement
- Certain borrowers may request an increase to their original PPP loan amount
- Must have been in business by Feb. 15, 2020
- Must apply **on or before March 31, 2021**, or until Congressional appropriations are exhausted

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
First Draw PPP Loan Eligibility

Must comply with size standards, eligibility criteria & certain limitations

Newly Eligible
- Housing cooperatives
- Destination marketing organizations
- Certain 501(c)(6) organizations such as Chambers of Commerce
- Eligible news organizations

Still Eligible
- Sole proprietors, independent contractors, self-employed individuals
- Business entities (e.g., partnerships, corporations, LLCs)
- 501(c)(3) non-profit organizations
- 501(c)(19) Veterans organization
- Tribal businesses

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
Changes for Farmer and Ranchers

First Round (may reapply or request modification to increased loan eligibility)

- Guidance to Lender – SBA Procedural Notice 5000-20076
  [5000-20076.pdf](https://sba.gov)
- May reapply in some instances when funds returned by Dec 27, 2021
- Formula change – see subsection B.4.d of the consolidated IFR
- May reapply or request modification relating to increased loan eligibility, with the lender of record, if forgiveness hasn’t been received.
- Covered period does not change

Second Draw (revised eligible loan amount)

- May proceed to 2nd Draw, if eligible, only after use of 1st draw

Information Current as of 2/5/21 – Visit [www.sba.gov/CoronavirusRelief](https://www.sba.gov/CoronavirusRelief) for the most up-to-date information.
Changes for **Seasonal Employers**

**First Round (may reapply or request modification to increased loan eligibility)**

- Guidance to Lender: SBA Procedural Notice 5000-20076
- Formula change: Allows seasonal employer to use average total monthly payments for payroll for any 12-week period beginning February 15, 2019 and ending February 15, 2020.
- May reapply or request modification relating to increased loan eligibility, with the lender of record, if forgiveness hasn’t been received and new calculation method is advantageous.
- Covered period does not change for increases as it relates to forgivability
- Seasonal is defined in IFR a business that doesn’t operate for 7 months or one where gross receipts for any 6 months < 1/3 of full year gross receipts.

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
Changes for Partnerships

First Round (may reapply or request modification to increased loan eligibility)

- May reapply in some instances when funds were returned
- May reapply or request modification relating to increased loan eligibility, with the lender of record, if forgiveness hasn’t been received.
- Guidance to Lender – SBA Procedural Notice 5000-20076
- Allows increase for appropriate partner compensation in limited instances.

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
What is a Second Draw PPP Loan?

For borrowers that previously received a PPP loan, have 300 employees or less, and suffered a 25% reduction in gross receipts

- For most borrowers, the maximum loan amount of a Second Draw PPP loan is 2.5x average monthly 2019 or 2020 payroll costs, up to $2 million.

- For borrowers in the Accommodation and Food Services sector (NAICS 72), the maximum loan amount for a Second Draw PPP loan is 3.5x average monthly 2019 or 2020 payroll costs, up to $2 million.

- Second Draw PPP loan applicants must submit the information on **SBA Form 2483-SD** (Borrower Application) when applying to their lender.

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
Second Draw PPP Loan Eligibility

**Must** have previously received a First Draw PPP loan and covered periods cannot overlap

**Additional Eligibility Criteria**

- Has used or will use the full First Draw PPP loan amount only for eligible expenses before the Second Draw PPP loan is **disbursed**
- Has no more than 300 employees
- Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020.

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
PPP Loan Application Process

1. Find a PPP Lender
   - SBA.gov/LenderMatch
   - SBA.gov/PaycheckProtection/find
   - Contact SBA Resource Partner: SBA.gov/local-assistance

2. Complete Application
   - Include all supporting documentation
   - Get help from SBA Resource Partner: SBA.gov/local-assistance

3. SBA Issues Loan #
   - Lender submits application electronically to the SBA for compliance check & loan number

March 31, 2021 (or when appropriated funding is exhausted) is the final deadline for lenders to submit PPP loan applications to the SBA

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
PPP Loan Terms / Maturity

If the PPP loan is not 100% forgiven

PPP loans have:

• A fixed interest rate of 1% that is non-compounding and non-adjustable
• No requirement for collateral or personal guarantees
• No fees or prepayment penalties
• A five-year maturity (for those before June 5, 2020, it’s two years; borrowers can ask their lender to extend to five years)
• Payments start once borrower knows how much of the PPP loan will be forgiven; lender will notify the borrower
• If borrowers do not apply for forgiveness, payments start 10 months after the last day of the covered period

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
PPP Loan Forgiveness

Borrowers must apply for PPP loan forgiveness through their lender; lenders submit lender forgiveness decisions to the SBA

Updates per the Economic Aid Act

• EIDL Advances are no longer deducted from PPP loan forgiveness payment
• Expenses paid with PPP loan funds are federally tax deductible; consult the IRS for details on this
• Expanded forgivable expenses are permissible for any unforgiven PPP loan
• New: simplified forgiveness application for PPP loans $150,000 and under

Per the CARES Act

• Forgiven PPP loans are not federally taxable income
COVID-19 Economic Injury Disaster Loan (EIDL)

Provides economic aid to businesses experiencing a temporary loss of revenue due to COVID-19

Economic Aid Act Extends Deadline to Dec. 31, 2021

• **Use of proceeds:** working capital and normal operating expenses such as continuation of health care benefits, rent, utilities, fixed debt payments

• **Terms:** 3.75% for businesses (fixed), 2.75% for nonprofits (fixed), 30 years, no pre-payment penalty; loans over $25,000 secured by UCC filing ($100 deducted from loan proceeds)

• **Eligibility:** qualified small businesses, cooperatives and agricultural enterprises with 500 or fewer employees (or defined as small per sba.gov/sizestandards), and private non-profits

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
EIDL Advance

No action required until contacted by the SBA via direct email invite

- Businesses that received an EIDL Advance and a PPP First Draw loan where forgiveness was reduced by the amount of the EIDL Advance, funds will be redeposited with your PPP first draw lender. Even if payments were made on the residual loan balance, the full amount of the funds withheld from forgiveness will be provided.

- We don’t have a completion date for this yet.

- No action is required by the business.
New Program: Targeted EIDL Advance

No action required until contacted by the SBA via direct email invite

New Program in the Economic Aid Act

• Will balance out a previous EIDL Advance to the full $10,000 if the business is: 1) in a low-income community; 2) suffered greater than 30% economic loss; and 3) has 300 or fewer employees

• Those who applied for an EIDL Advance but didn’t receive funds due to lack of funding will receive a full $10,000 if they meet same requirements above and per Targeted EIDL Advance funding availability

• The **SBA will reach out to those who may qualify** via email with instructions to determine eligibility and submit documentation.
New Program: Targeted EIDL Advance

Items needed to verify eligibility and submit

- 2019 Federal Tax Return (recommended to have on hand when applying)
- EIN/SSN as specified in original EIDL application
- Monthly gross receipts for 2019, 2020, and completed months in 2021
- Confirm information in original EIDL application is still accurate (changes may require a manual review and documentation)
- Applicants that pass the initial eligibility requirements will be required to sign a 4506-T for the SBA to obtain tax transcripts before the agency can approve the Targeted EIDL Advance

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
New Program: Targeted EIDL Advance

Application Process

• Only one submission for each Targeted EIDL Advance can be made

• Carefully review the bank account information

• Ensure information submitted is 100% correct; due to limited Targeted EIDL Advance funds, the SBA will not be able to make reconsiderations

• SBA’s goal is to process completed applications within 21 days; applications may not be considered complete until after IRS Form 4506-T is received

• **Application questions:** TargetedAdvance@sba.gov

• **If approved:** You will receive an email & ACH deposit to the bank account provided

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
New Program: Shuttered Venue Operators Grant

Applications not yet open; will need SAM.gov registration to apply

Eligible Entities
• Live venue operators or promoters
• Theatrical producers
• Live performing arts organization and motion picture theater operators
• Relevant museum operators, zoos and aquariums who meet specific criteria
• Talent representatives
• Up to five business entities owned by an eligible entity that also meet the eligibility requirements

Plus …
• Must have been in operation as of Feb. 29, 2020
• Venue or promoter must not have applied for / received a PPP loan on or after Dec. 27, 2020
# Cross Program Eligibility on Economic Aid

**Certain criteria must be met for each program**

<table>
<thead>
<tr>
<th>Applicant for</th>
<th>PPP</th>
<th>Shuttered Venue Operators Grant</th>
<th>COVID-19 Economic Injury Disaster Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PPP</strong></td>
<td>First Draw PPP borrowers may be eligible to apply for Second Draw PPP loans</td>
<td>May apply for SVOG if received a PPP loan prior to 12/27/20</td>
<td>May apply for EIDL; PPP and EIDL can’t be used for the same purpose/costs</td>
</tr>
<tr>
<td><strong>Shuttered Venue Operators Grant</strong></td>
<td>Not eligible to apply for PPP loan</td>
<td>May be eligible to receive a supplemental SVOG grant</td>
<td>May apply for EIDL; SVOG and EIDL can’t be used for the same purpose/costs</td>
</tr>
<tr>
<td><strong>COVID-19 Economic Injury Disaster Loan</strong></td>
<td>May apply for PPP; EIDL and PPP can’t be used for the same purpose/costs</td>
<td>May apply for SVOG; EIDL and SVOG can’t be used for the same purpose/costs</td>
<td>The same business cannot apply for more than one EIDL</td>
</tr>
</tbody>
</table>

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
SBA-Backed Loan Debt Relief
Program for 7(a), 504 and Microloan Borrowers Only

• Assistance varies based on when the SBA-backed loan was approved and by type of loan (7(a), 504 and/or Microloan).

• Borrowers do not need to apply for this debt relief; the SBA provides it automatically.

• Letters have been distributed to eligible borrowers; a sample letter can be found at www.sba.gov/coronavirusrelief > Debt Relief > Sample Section 1112 Borrower Letter

• Contact your lender with debt relief questions
Key Takeaways

Loan Programs

- Paycheck Protection Program (PPP)
- Debt Relief on SBA 7(a), 504 and Microloans

Grant Programs

- Economic Injury Disaster Loan (EIDL) and Targeted EIDL Advance
- Shuttered Venue Operators Grant (SVOG)

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.
Local Resources

• SBA Portland District Office webpage – www.sba.gov/offices/district/or/portland

• SCORE – https://portlandor.score.org

• Oregon SBDC Network – www.OregonSBDC.org
• Oregon SBDC Network Capital Access Team – www.OregonsbdcCAT.org

• Women’s Business Center –
  Oregon Women's Business Center ★ Mercy Corps Northwest
  mercycorpsnw.org
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Follow the SBA on Twitter: @SBAgov, @SBA_PortlandOR

Email: pdxhelp@sba.gov

Call: (503) 326-2682

www.sba.gov/coronavirusrelief - all economic aid options
www.sba.gov/ppp - Paycheck Protection Program
www.sba.gov/svogrant - Shuttered Venue Operators Grant
SECOND DRAW MAX PPP LOAN CALC: GENERAL

(PPP IFR 2nd Draw 1.13.21 p.29)

Second Draw PPP max Loan amount is equal to the lesser of two and half months of the borrower’s average monthly payroll costs or $2 million, except as otherwise specified (e). A borrower’s average monthly payroll costs may be based on calendar year 2020, calendar year 2019, or as otherwise specified.

In calculating a borrower’s payroll costs, the borrower must subtract any compensation paid to an employee in excess of $100,000 on an annualized basis, as prorated for the time period during which the payments are made or the obligation to make the payments is incurred.

Except as otherwise provided, the maximum amount of a Second Draw PPP Loan is calculated as the lesser of:

(A) Average total monthly payroll costs paid by the borrower during 2019 or 2020, Multiplied by 2.5x
OR
(B) $2,000,000.
SEASONAL EMPLOYER MAX PPP LOAN CALC:

(PPP IFR Amended 1.6.21 p. 37)

As defined by section 315 of the Economic Aid Act, “seasonal employer” if:
• does not operate for more than 7 months in any calendar year
• or during the preceding calendar year it had gross receipts for any 6 months of that year that were not more than 33.33% of the gross receipts for the other 6 months of that year.

Under section 336 of the Economic Aid Act, a seasonal employer must determine its maximum loan amount for purposes of the PPP by using the employer’s average total monthly payments for payroll for any 12-week period selected by the seasonal employer beginning February 15, 2019, and ending February 15, 2020.

The maximum amount of a Second Draw PPP Loan to a borrower that is a seasonal employer is calculated as the lesser of:
(A) At election of the borrower, the average total monthly payments for payroll costs incurred for any 12-week period between February 15, 2019 and February 15, 2020; Multiplied by 2.5x (or, for a 72 NAICS borrowers 3.5x); OR
(B) $2,000,000.
FARMER/RANCHER MAX PPP LOAN CALC: (NO employees)

(PPP IFR Amended 1.6.21 p. 38)

NO EMPLOYEES
[Operates as a sole proprietorship or as an independent contractor, or is an eligible self-employed individual]

Step 1: Find your 2019 or 2020 IRS Form 1040 Schedule F line 9 gross income
If is over $100,000, reduce it to $100,000.
If this amount is zero or less, you are NOT eligible for a PPP loan.

Step 2: Divide the amount from Step 1 by 12.
Step 3: Multiply the average monthly gross income amount from Step 2 by 2.5.
Step 4: (FIRST DRAW PPP LOAN OPTION), add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and ending on April 3, 2020 that you seek to refinance.
Do not include the amount of any advance under an EIDL COVID-19 loan (does not have to be repaid).
FARMER/RANCHER MAX PPP LOAN CALC: (WITH employees)

(PPP IFR Amended 1.6.21 p. 38)
Step 1: Compute 2019 or 2020 payroll (using the same year for all items) by adding the following (A+B+C):

a. The difference between your 2019 or 2020 Form 1040 Schedule F line 9 gross income amount, and the sum of Schedule F lines 15, 22, 23, 37, up to $100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred, if this amount is over $100,000, reduce it to $100,000, if this amount is less than zero, set this amount at zero.

b. 2019 or 2020 gross wages and tips paid to your employees whose principal place of residence is in the United States computed using 2019 or 2020 IRS Form 941 Taxable Medicare wages & tips (line 5c- column 1) from each quarter plus any pre-tax employer contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages & tips; subtract any amounts paid to any individual employee in excess of $100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred and any amounts paid to any employee whose principal place of residence is outside the United States; and

c. 2019 or 2020 employer contributions for employee group health, life, disability, vision and dental insurance (portion of IRS Form 1040 Schedule F line 15 attributable to those contributions), employer contributions for employee retirement contributions (Form 1040 Schedule F line 15), and state and local taxes assessed on employers for employee compensation (primarily under state laws commonly referred to as the State Unemployment Tax Act or SUTA from state quarterly wage reporting forms).

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Step 2: Calculate the average monthly amount (A+B+C from Step 1), by dividing the amount by 12.
Step 3: Multiply the average monthly amount from Step 2 by 2.5.
Step 4: (FIRST DRAW PPP LOAN OPTION), Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (does not have to be repaid).

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