

## ECONOMIC AID ACT



 **NORTH DAKOTA**  
**SMALL BUSINESS**  
**DEVELOPMENT CENTERS**

*Your Ideas - Our Expertise - Your Success*



Funded in part through a cooperative agreement with the U.S. Small Business Administration. All opinions, conclusions or recommendations expressed are those of the author(s) and do not necessarily reflect the views of SBA.

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 Components 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 PPP (PPP2) - Available until March 31

### 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 Determinations

**There is a loan limit of \$2M; \$4M combined with affiliates. 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 Employees

**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.

## Forgiveness Process for Loans Under \$150,000

**For loans under \$150,000, there is a new one-page forgiveness application coming soon. We believe it will identify:**

- Number of employees you were able to retain
- Estimate of amount spent on payroll
- Total loan amount.

In addition, you must attest to the use for allowable expenses only.

## 501(c)6

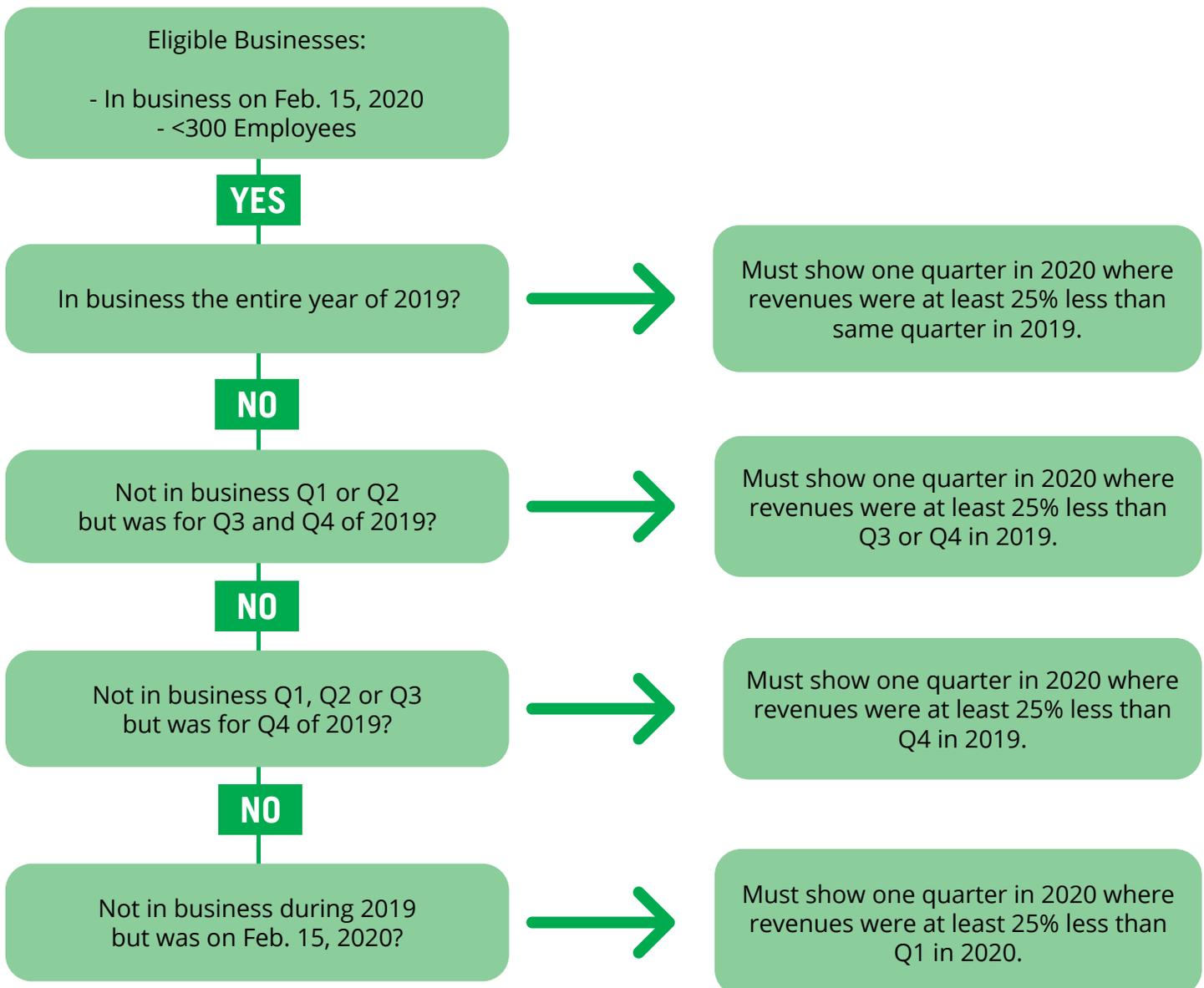
**Qualifying 501(c)(6) businesses are now eligible.**

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

*Our thanks to the Georgia SBDC for the original framework and content of this document.*

| 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    |
| Loan Forgiveness Limits: |                        |                              |                  |
| Payroll Expenses         | 75% minimum            | 60% minimum                  | 60% minimum      |
| Non-Payroll Expenses     | 25% maximum            | 40% maximum                  | 40% maximum      |

## How to Determine PPP Eligibility



# COVID-19 EIDL and Targeted EIDL Advance

Available until December 31, 2021

## Standard EIDL Eligibility

A reminder of eligibility requirements for a standard EIDL loan:

- In business prior to February 15, 2020
- Applicants who have already submitted their applications will continue to be processed on a first-come, first-served basis.
- Eligible applicants include:
  - Businesses with 500 or fewer employees or defined as small per [SBA.gov/SizeStandards](https://www.sba.gov/size-standards)
  - Cooperative with 500 or fewer employees
  - Agriculture enterprises with 500 or fewer employees
  - Most private non-profits
  - Faith-based organizations
  - Sole proprietorships and independent contractors
- Ineligible businesses include those engaged in illegal activities, loan packaging, speculation, multi-sales distribution, gambling, investment, or lending.

## EIDL Terms

- 3.75% fixed interest rate for small businesses; 2.75% fixed interest rate for private non-profits.
- Long term repayments up to 30 years. No prepayment penalty or fees.
- Purpose: To meet financial obligations and operating expenses that could have been met had the disaster not occurred.
- EIDL funds can not be used to pay-off old debts, refinance another debt, or buy capital assets, new construction, vehicles, etc.

## Targeted EIDL Advance Changes

- Repeals the EIDL Advance Deduction from forgiveness (those already forgiven will be 'made whole')
  - **The Targeted Advances:**
    - "Grosses-up" the difference between what was granted earlier and \$10k
    - Provides \$10k grant to those who did not get grants because funding had run out.
    - Still need to qualify by being located in a low income community, loss of 30% and no more than 300 employees.
    - This is not applied for but rather considered by SBA with a standard EIDL application
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## Qualifying for the Full \$10,000 EIDL Advance Grant

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

- Be located in a low-income community, **and**
- Have suffered an economic loss greater than 30%, **and**
- Employ no more than 300 employees.

## 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 January 31, 2020.
- The business 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 March 2, 2020 and December 31, 2021, relative to a comparable 8-week immediately preceding March 2, 2020, or during 2019; **or**
- (B) If the covered entity is a seasonal business concern, such other amount determined appropriate by the Administrator.

## 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 or eliminated some fees

Pays 6 months of P&I for an new SBA guaranteed loans approved before Sept 20, 2021.

# Grants for Shuttered Venue Operators

## The Act provides \$15B for SBA grants to:

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

## Timing of Grants:

- In the initial 14 days, grants will be exclusively made available to those with 90% or greater revenue loss.
- In the second 14 days, grants will be available to those with 70% or greater revenue loss.
- After those two rounds - all other qualifying entities will receive awards.
- **Note: if you receive a grant, you cannot participate in PPP2.**

# 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. Makes language retroactive "as if included in original CARES Act."

# What can you do now?

## Preparing for the New Economic Aid Act

- Pull together your financial information and be ready when the bank portals reopen.
- The financial information needed is nearly identical to what was needed for the first round of PPP.

### For updated information:

- Watch for SBA and Treasury guidance. Our website will continue to be updated as new information is released. [ndsbdc.org](https://www.ndsbdc.org)

### Webinar opportunities:

- We are continuing to offer webinar opportunities, both live and on-demand options. [ndsbdc.org/online-training](https://www.ndsbdc.org/online-training)

## Next Steps

- Review your options as listed in this document.
- Contact your local ND SBDC office to speak with a business advisor. There are nine office locations throughout the state.



## About the ND SBDC

The North Dakota Small Business Development Centers help North Dakotans to start, manage, and grow their businesses.

We use our expertise to help you make your business successful. Our professional business advisors have years of experience and know what it takes to start a business and operate it successfully in our state.

We have centers located across the state to assist you.

## ND SBDC Locations:

**Bismarck**  
701.777.3700

**Minot**  
701.857.8211

**Bowman**  
701.523.5880

**Southeast ND**  
701.499.5276

**Devils Lake**  
701.662.8131

**Williston**  
701.713.3839 or  
701.570.7260

**Dickinson**  
701.456.9044

**Crosby**  
(Williston satellite  
location)

**Fargo**  
701.499.5273

701.965.6006

**Grand Forks**  
701.738.4851

**Lead Center**  
701.777.3700