

OVERVIEW OF THE 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 designated 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 Economic Aid 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)**

Available until March 31, 2021

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, human resources, 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 it:

- 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 that identifies:

- 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.

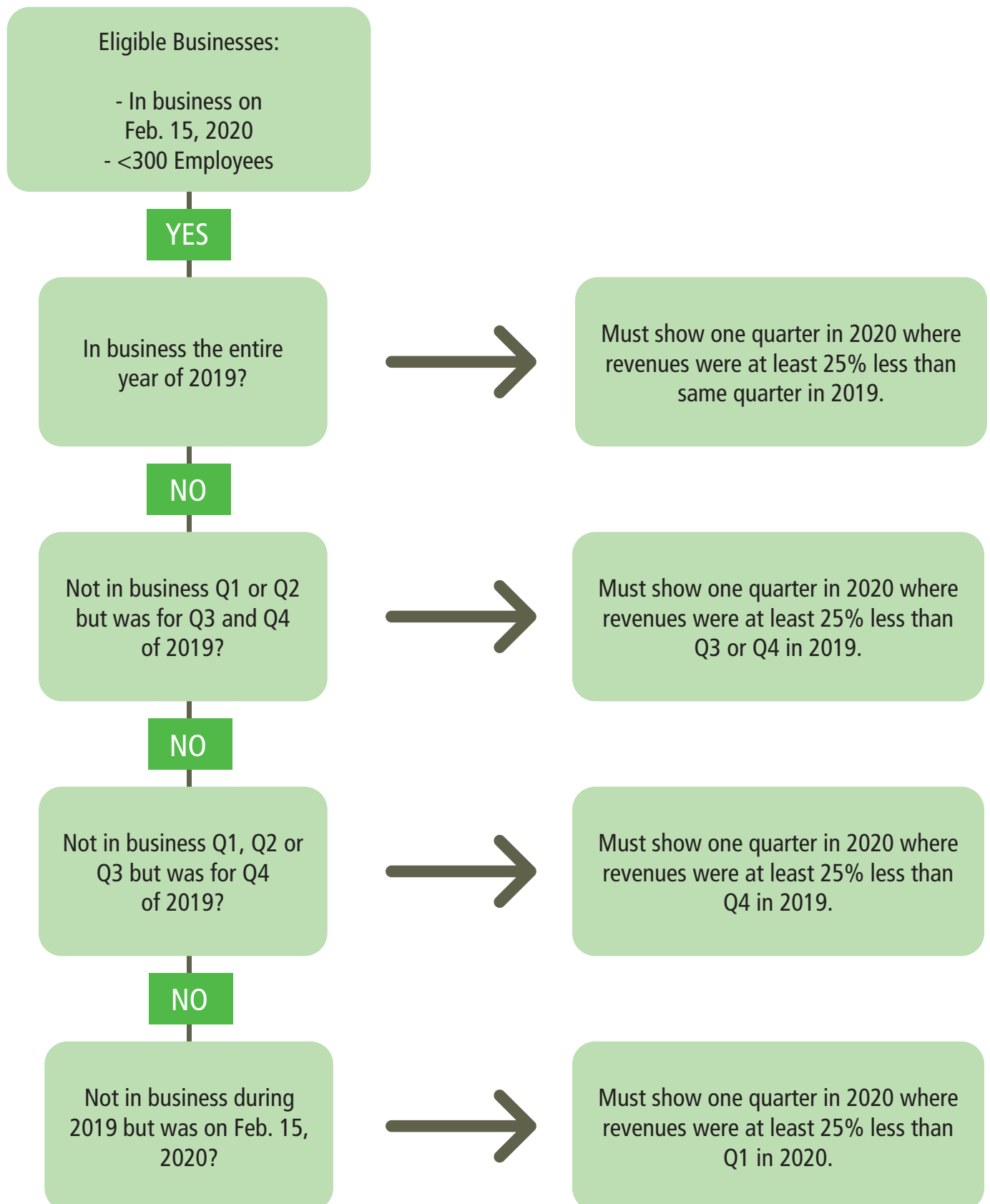
501(c)(6)

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

- The business cannot have more 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 Expenses	25% maximum	40% maximum	40% maximum

► How to Determine PPP Eligibility



► COVID-19 EIDL and 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')
- 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

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,
- Have suffered an economic loss greater than 30%, and
- Employ no more than 300 employees.

Eligible Entities (Defined by the CARES Act)

Eligibility requirements for the targeted EIDL Advance include:

- 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 agricultural cooperative.
- The business must have been in operation before 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 period immediately preceeding 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.

► 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

► 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 up to 90%
- Reduced to eliminate some fees

Pays 6 months of P&I for any new SBA guaranteed loans approved before September 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 theatres
- 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 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 U.S. Treasury guidance. Treasury is maintaining a “CARES Act Assistance to Small Businesses” page with updated information, FAQs, and guidance on the various funding programs:
<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

Webinar opportunities:

- We will be offering webinar opportunities, both live and on-demand. Check our website regularly for new events: <https://sbtcd.org/coronavirus/webinars>

Next Steps

- Review your options as listed in this document.
- Contact your local SBTDC office to speak with a business counselor. There are 16 offices located throughout North Carolina, serving every county. During this time, counselors are available via phone, email, or video-conference only.
- Your SBTDC business counselor will be able to answer any question you may have. They will also be available to assist you as you navigate the application process.

► COVID-19 Resources

Making smart business decisions has never been more important than in the new normal of COVID-19. Since 1984, the Small Business and Technology Development Center (SBTDC) has helped more than 135,000 North Carolina entrepreneurs make their businesses better.

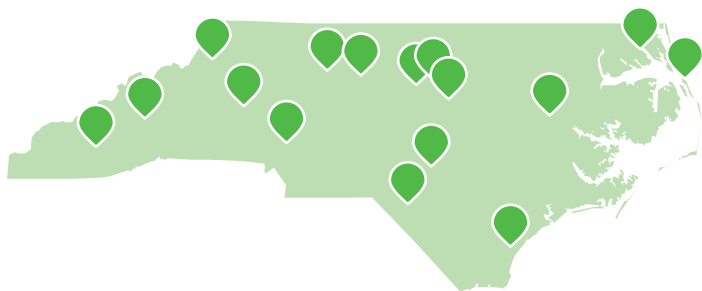
In addition to assistance with finance, marketing, and management, the SBTDC's team of more than 20 Business Resiliency Counselors can help with COVID-19 recovery strategies and plans, including:

- Cash flow projections
- Securing SBA and other financing
- Stabilizing operations
- Exploring new market opportunities
- Safely welcoming back customers
- Digital marketing

Visit the SBTDC's partner website to get the latest information and resources to help you weather the crisis: www.sbtfdc.org/coronavirus/.

► Find Your Local Office

- With a lead center located in Raleigh, NC, the SBTDC operates 10 regional centers in 15 total offices and six specialty programs.
- Find your local regional center using the map below and use contact information to the right to reach out to a counselor today.



ABOUT THE SBTDC

The SBTDC is a business and technology extension program of the UNC System.

With offices at the 16 campuses, counselors provide personalized management counseling and education services that help entrepreneurs make their businesses better, create and retain jobs and improve the economy of North Carolina.

OUR LOCATIONS

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