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ROCHESTER AREA  
CHAMBER OF COMMERCE

# Business Strategy & Planning

LATEST UPDATES

Friday, April 17

# Overview

- Guest Speaker:  
Doug Calidas, Deputy Legislative Director &  
Senior Economic Advisor, Senator Amy  
Klobuchar
- Dunlap & Seeger – Update on Latest  
Developments
- Facilitated Q&A

# **Doug Calidas**

Deputy Legislative Director & Senior Economic Advisor

*Senator Amy Klobuchar*

# COVID-Related Business Strategy & Planning: Latest Updates

Including Pandemic Unemployment Benefits, Main Street Lending Program, EIDL, and the Paycheck Protection Program

DUNLAP & SEEGER, P.A.



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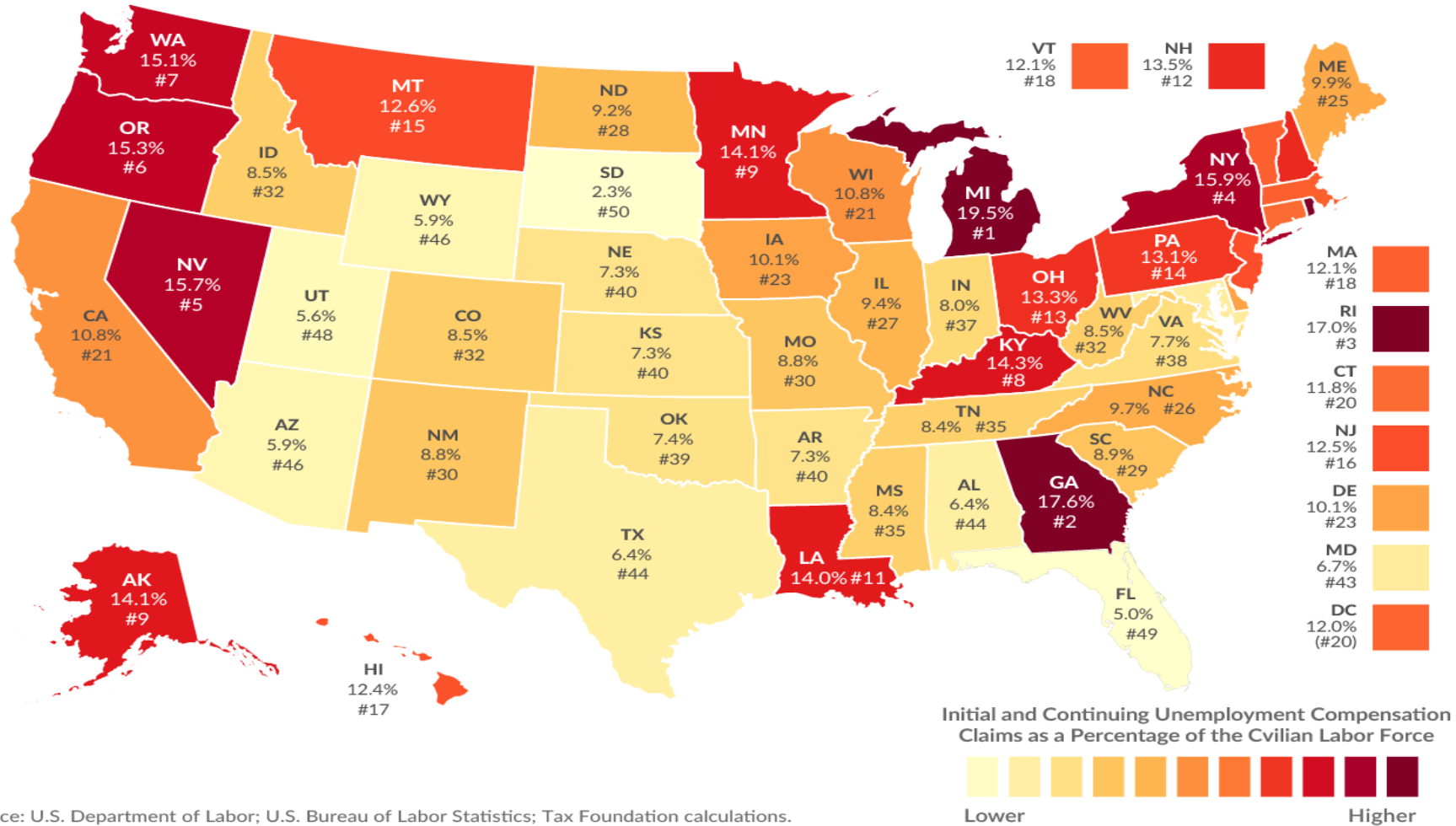
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# Unemployment Compensation Claims as a Percentage of the Civilian Workforce

Initial and Continuing Unemployment Compensation Claims as a Percentage of the Civilian Labor Force, April 11, 2020



Source: U.S. Department of Labor; U.S. Bureau of Labor Statistics; Tax Foundation calculations.

## Latest Workforce and UI Issues

- **What If My Employee Does Not Want To Come Back To Work?**
  - I had to furlough my employees due to COVID-19. They immediately qualified for unemployment, including the extra \$600 due to the CARES Act.
  - Fortunately, I received my PPP loan. The PPP loan requires me to maintain my payroll and my current level of FTEs in order to receive full loan forgiveness.

# Latest Workforce and UI Issues

- I am ready to get my employees back to work.
- Unfortunately, some have realized with the extra \$600, they are receiving more money on UI than they did while working and do not want to come back.
- **What do I do?**

# Latest Workforce and UI Issues

- UI requires employees to be available to return to work.
- If employees do not return, the employer can raise an issue and the employee should become ineligible to continue to receive benefits.
- **Here's what you can do:**
  - Notify them they will lose their job if they do not return.
  - Notify them it is company policy to raise an issue with UI if they do not return.
  - Notify them their UI is at risk if they do not return.
  - Put it in writing.



# Latest Workforce and UI Issues

- What if they have legitimate reasons not to come back?
  - High risk to themselves or a family member
  - Fear
  - Lack of social distancing at work place
  - You are not complying with CDC best practices
- What if you do not want them back?
- What if you do not raise an issue?

# Small Business Loan Information

- DEED** • Small Business Emergency Loans
- DEED** • Small Business Loan Guarantee Program
- Fed Reserve** • Main Street Lending Program
- SBA** • Economic Injury Disaster Loans (EIDL)
- SBA** • Paycheck Protection Program (Round 1)

# Main Street Lending Program

- Eligibility: U.S. businesses with < 10,000 employees; or 2019 revenue of < \$2.5 billion.
- Minimum loan amount: \$1 million
- Max loan amount equal to lesser of (i) \$25 million or (ii) 4x EBITDA minus outstanding & committed debt
- 4-year term with adjustable interest rate currently in the amount of ~ 2.5 - 4% APR
- 12-month P&I deferral; no prepayment penalties.
- Unsecured; no forgiveness.

# Other Local Loan & Grant Options

- SBA Loan Relief – SBA makes 6 month of loan payments – *not deferred*
  - 7(a), 504, Microloan program
  - Also applies to *new* loans made between 3/27/20 and 9/27/20
- \$250,000.00 - funded by City of Rochester/RAEDI Emergency Economic Development loan program.
- City of Rochester & DMC “Keep it Local, COVID-19 Innovators Grant Program” administered by the RDA to reward innovation and collaboration. \$2k grants.  
<https://www.downtownrochestermn.com/get-involved/grant-opportunities>
- “United We Stand” Small Business Microgrant Fund - \$500 grants to Rochester businesses for operational costs. <https://www.collider.mn/uws>
- U.S. Chamber Foundation’s “Save Small Business” \$5k grants awarded by zip code  
<https://savesmallbusiness.com/>

# Where Did All the PPP Go?

Through April 16, 2020, a few key PPP data points:

Loan Count	Net Approved Dollars	Lender Count
1,661,367	\$342,277,999,103*	4,975

State	Approved Loans	Approved \$\$
MN	46,383	\$9.014,060,040
WI	43,395	\$8,317,705,842

Source: SBA PPP Report 4/16/20

# Who Got Round 1 of PPP?

NAICS Subsector Description	Approved Loans	Approved Dollars	% of Amount
Construction	177,905	\$44,906,538,010	13.12%
Professional, Scientific, and Technical Services	208,360	\$43,294,713,938	12.65%
Manufacturing	108,863	\$40,922,240,021	11.96%
Health Care and Social Assistance	183,542	\$39,892,493,481	11.65%
Accommodation and Food Services	161,876	\$30,500,417,573	8.91%
Retail Trade	186,429	\$29,418,369,063	8.59%
Wholesale Trade	65,078	\$19,489,410,472	5.69%
Other Services (except Public Administration)	155,319	\$17,707,077,167	5.17%
Administrative and Support and Waste Management and Remediation Services	72,439	\$15,285,814,286	4.47%
Real Estate and Rental and Leasing	79,784	\$10,743,430,227	3.14%

## How Much?

Loan Size	Approved Loans	Approved Dollars	% of Count	% of Amount
\$150K and Under	1,229,893	\$58,321,791,761	74.03%	17.04%
>\$150K - \$350K	224,061	\$50,926,354,675	13.49%	14.88%
>\$350K - \$1M	140,197	\$80,628,410,796	8.44%	23.56%
>\$1M - \$2M	41,238	\$57,187,983,464	2.48%	16.71%
>\$2M - \$5M	21,566	\$64,315,474,825	1.30%	18.79%
>\$5M	4,412	\$30,897,983,582	0.27%	9.03%

- Overall average loan size is \$206K.

# Recent PPP Guidance for Self-employed

- Self-employed individuals are eligible
- Loan amount will be determined based on 2019 1040 Schedule C, line 31 net profit amount, up to \$100,000
  - Self-employed health insurance premiums and the self-employed person's share of the employer's portion of retirement plan benefit are **not** included in the loan amount calculation.
  - If they have employees, health insurance premiums and retirement contributions will be added to payroll costs
- Allows PPP funds for to be paid out as “owner compensation replacement”
  - Calculated based on 8/52 of 2019 net profit from Form 1040 Schedule C

# Recent PPP Guidance for Partnerships

While most of the recent guidance deals with self-employed independent contractors and sole proprietors, the guidance did provide some clarity to one of the biggest open questions about PPP Loans:

*“Can self-employed partners and LLC members can apply for PPP loans”?*

Rule clarifies that partners who earn self-employment income cannot submit a separate PPP application for themselves, however, the Partnership can apply for and use PPP loan proceeds to pay “owner compensation replacement”.

- Up to \$100,000 of the self-employment income of “general active partners” may be reported as payroll costs.
- *Review your partnership return - Form 1065, page 4 (Schedule K), line 14(a)*



# Received PPP Funds - Now What?

- Don't be too aggressive until we get more forgiveness guidance
- Make sure you understand and are tracking covered costs (payroll costs, mortgage interest, rent, utilities)
  - Forgiveness applies to “*costs incurred and payments made*” for each of the four expense categories
    - Still need guidance on:
      - *Is forgiveness available for costs incurred during 8-week period, even if paid after?*
      - *Is forgiveness available for payments made during the 8-week period, even though incurred before?*
- Forgiveness has rules and formulas – build a spreadsheet/get a calculator

# PPP Forgiveness Basics

- **Some or all of the PPP loan may be forgiven, depending on how the proceeds are used during an 8-week period.**
  - Begins on the date of first disbursement (the lender must make the first loan disbursement no later than 10 calendar days from the date of loan approval).
- **Loan forgiveness impacted by:**
  - 75% payroll costs;
  - Reduction in salary/wages; and
  - Reduction in FTE.
- **Exemption** for certain reductions in wages and FTE:
  - Any reductions in fulltime employees or employee wages/salaries taken between February 15, 2020 and April 26, 2020, if borrower rehires employees or raises salaries (or both, if the situation demands) back to their previous levels by June 30, 2020.

# Criteria to Open America Again

- Final decisions are up to each state's Governor when and whether to lift emergency stay at home orders:
  - Contingent on:
    - Downward trajectory of COVID cases in the state
    - Sustained over a 14-day period
    - Assurance of sufficient hospital resources to treat anticipated continued spread and resurgence of COVID; and
    - Implementation of a robust testing program, including anti-body test, to protect known vulnerable
  - Governor decision to implement state-wide or deploy at county level

(Source: [Guidelines: Opening Up America Again](#), April 16, 2020)

## Guidelines: Opening Up America Again

- 3-phase vision for easing social-distancing measures:

**Phase one:** Restaurants, movie theaters, sporting venues, places of worship and gyms can reopen if they observe strict social distancing. Elective surgeries can resume when appropriate on an outpatient basis.

Schools currently closed should remain shut. Visits to senior living facilities and hospitals prohibited. Bars should remain closed. High-risk individuals should remain at home.

Source: Guidelines: Opening Up America Again, April 16, 2020

## Midwest Partnership to Reopen Economy

Quoting from Office of Governor's April 16, 2020 press release:

**Today, we are announcing that Michigan, Ohio, Wisconsin, Minnesota, Illinois, Indiana, and Kentucky will work in close coordination to reopen our economies in a way that prioritizes our workers' health**

\* \* \* \*

**We will closely examine at least these four factors when determining when best to reopen (phasing in sectors of )our economy:**

- **Sustained control of the rate of new infections and hospitalizations.**
- **Enhanced ability to test and trace.**
- **Sufficient health care capacity to handle resurgence.**
- **And best practices for social distancing in the workplace.**

# Governor Walz's Emergency Executive Order #20-38 (April 17, 2020)

Effective 4/18/20 at 5:00 a.m.:

Permitted Outdoor Recreational

Activities are expanded and now **include** Golfing, Fishing, Boating, Game Farms.

*Some activities limited*  
**WITHIN SAME HOUSEHOLD**



of separation between participants from different households. Groups within a single household may engage in outdoor activities or sports that do not allow for social distancing (e.g., soccer or basketball) but should not engage in such activities with members of other households.

# Governor Walz's Emergency Executive Order #20-38 (April 17, 2020)



**Outdoor Recreational Activity.** Individuals **must not** engage in outdoor recreational activities where they will come into close proximity with others from different households. Individuals may engage in the activities listed below,

# QUESTIONS?

**For more information, please contact Dunlap & Seeger attorneys:**

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# Chamber Current Activities Overview

## 1. Advocacy

- Local (City & County) – Reduce the cost of doing business
- State – Business property tax deferral\*
- Federal – Identify/communicate needed clarity to CARES Act

## 2. [www.rochestermnchamber.com](http://www.rochestermnchamber.com) - re-designed to be trusted, most up-to-date COVID info

## 3. Curated access to subject matter expertise (webinars)

- New programs / updates on regs and implementation
- Strategic & appropriate use of new programs to support business continuity
- Workforce economic support (UI, Families First, & CARES)
- Workforce health & community connectivity

## 4. Partner collaboration

- SCORE | Cheryl Thode | [Cheryl.thode@scorevolunteer.org](mailto:Cheryl.thode@scorevolunteer.org)
- SBDC | [semnsbdc@gmail.com](mailto:semnsbdc@gmail.com) | \* increased capacity
- RAEDI
- Local Government

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