

PATH FORWARD 2021

Reopen • Reimagine • Recover

A Webinar Series by the Rochester Area Chamber

Path Forward 2021: New Federal Pandemic Relief

1/08/2021

Breaking Down the Recent Legislation

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Agenda

- 1. Changes for PPP/Expanded PPP**
- 2. Other Federal changes/programs**
- 3. Tax Changes, including Employee Retention Credit**
- 4. Review of MN Governor Executive Orders**
- 5. State/Local Grants/Programs**
- 6. Workforce Updates**

PPP – Key Changes

- Round Three: \$285B of new funding authorized
 - \$35B set-aside for first time borrowers; \$15B set aside for employers w/ 10 or fewer EEs
- Forgiven expenses now tax deductible
- New Eligible Expenses (in addition to covered mortgage, rent and utilities) -- covered operations expenses, covered property damage costs, covered supplier costs, and covered worker protection expenditures
- Health care costs (i.e. part of payroll costs) clarified to now include group life, disability, vision, and dental insurance payments
- Can now select a covered period of any time between 8 - 24 weeks from receipt of loan
- Simplified Loan Forgiveness for loans of \$150,000 or less -SBA instructed to develop a new 1-page certification

PPP – Key Changes cont...

- Clarifies that a business not in operation before Feb 15, 2020 is not eligible for Original PPP or Second Draw
- SBA can modify dates of safe harbors/exceptions for FTE reductions
- Farmers are eligible for PPP loans based on 2019 Schedule F income
- 501(c)(6) entities (Chambers of commerce, trade associations, etc.), local news organizations and housing coops are now eligible
- Can amend original application to request increased loan amount if original loan amount was less than amount would have been under new rules
 - SBA *“is developing a process to collect the information necessary for eligible borrowers to reapply or request an increase in their PPP loan amount.”*

PPP – Second Draw

WHO?

- Borrower must have used the full amount of first loan
- Businesses with **300** employees or fewer employees
- Demonstrate **25%** or more reduction in gross receipts for a calendar quarter (compared to the same quarter from 2019)

Q1/19 v. Q1/20 or Q2/19 v. Q2/20 or Q3/19 v. Q3/20 or Q4/19 v. Q4/20

Any Forgiveness Amount” of a First Draw PPP Loan is Excluded from a Borrower’s Gross Receipts

- Still need to meet necessity requirement and must have used entire first loan

The uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations

HOW MUCH?

- Most borrowers - **2.5x** average monthly payroll (Up to \$2M)
- Restaurants, hotels, and other food/lodging businesses (NAICS code 72) can use **3.5x** the average monthly payroll (Up to \$2M)

May Use any 365 Day Period Beginning on January 1, 2019 to Calculate Their Average Monthly Payroll Costs

WHEN?

- **March 31, 2021** is deadline to apply for and receive new loan (or until funding is exhausted)

Same loan forgiveness rules still apply, including 60/40 rule - **Keep in mind Employee Tax Retention Credit!**

Other Federal Changes/Programs

- Expansion of **SBA 7(a) Loan Payments** & Forgiveness
 - *REMINDER*: SBA provided 6 mos. Principal & Interest payments on existing/new 7(a) loans under CARES Act
 - Under latest COVID-Relief Bill:
 - SBA Payments Extended, add'l 3 months, capped at \$9k/mo
 - Hard Hit Industries (specific NAICS) can receive pymts up to 8 mos.
 - Payments do not result in taxable income forgiveness to Borrower
 - Consistent with other grant programs, borrower's expense deductions not disallowed as a result of income exclusion resulting from funds provided by SBA

Other Federal Changes/Programs

- Extension & Expansion of **SBA EIDL Grants**
 - \$20B in new \$10,000 grants available to qualified businesses in low income communities so long as < 300 EEs & 30% loss of revenue
 - Add'l \$20B for 30-yr loans at 3.75%/2.75%
 - EIDL grant no longer reduces PPP forgiveness (& recipient to be repaid difference if PPP already forgiven)
 - Grants not taxable and recipient permitted to take deduction for any expenses paid from grant \$

Other Federal Changes/Programs

- **SHUTTERED VENUE OPERATOR GRANT (aka “SAVE OUR STAGES”)**
- **who:** All Live Arts Venues, Theaters, Museums, Zoos, Promoters, etc. shuttered by pandemic
- **what:** \$15B allotted (with minimum \$2B protected for biz w/ <50 EEs)
- **eligibility?**
 - Demonstrate quarterly gross revenue reductions >25% for same period in 2019.
 - Detailed list of ownership & other eligibility requirements.
- Disbursed in Tranches (start date TBD):

• 1 st 14 days:	Applicants must show >90% rev. reduction YOY
• 2 nd Wave (next 14 days):	Applicants with >70% rev. reduction YOY
• All others after that --	minimum \$2B protected for small independents
- **How much?** 45% of recipient's reported 2019 revenue, with possibility for more
 - Max: \$10 Million
- **NOTE: “Save Our Stages” Grantee CAN NOT also apply for PPP2**

Other Federal Changes/Programs

- **What's not in the Bill?**
 - **Liability Shield for Businesses**

TAX CHANGES

- Business Provisions Made Permanent
 - Energy efficient commercial buildings deduction (179D)
- Business Provisions Extended through 2025
 - New Markets Tax Credit
 - Work Opportunity Tax Credit (certain empowerment zone employees eligible for late filing)
 - Small Employer Credit for FMLA
 - Exclusion for certain employer payments of student loans

TAX CHANGES

- Extension of certain other provisions
 - Credit for electricity produced from certain renewable resources
 - Extension and phase out of energy credit
 - Energy efficient homes credit
- Temporary allowance of full deduction for business meals
 - Business meals in 2021 and 2022 will be fully deductible (rather than limited to 50%) if the meal is provided by a restaurant. Somewhat unclear as to whether carryout or catering are eligible.
- Temporary special rules for flex spending arrangements.
 - Carryover allowed from 2020 to 2021 or from 2021 to 2022

EMPLOYEE RETENTION CREDIT (ERC)

- Expanded and modified.
- Prior to CAA – could not take ERC if you took PPP.
- Now – eligible to use PPP and ERC, but not for the same wages.
 - This provision is retroactive for the 2020 credit.
- Expires June 30, 2021

Employee Retention Credit Comparison

- 2020 Credit

- Eligible Employer

- Subject to government-imposed shutdown OR
 - 50% or more reduction in gross receipts over the same quarter in 2019

- Eligible Wages

- Wages paid during shut-down or during quarter with reduction in gross receipts.
 - If > 100 employees, only wages paid for employees not to work.
 - If < 100 employees, all wages during qualifying period.

- Credit Calculation

- 50% of qualifying wages up to 10,000 in wages (5,000 credit) for all of 2020.

- 2021 Credit

- Eligible Employer

- Subject to government-imposed shutdown OR
 - 20% or more reduction in gross receipts over the same quarter in 2019. Can use prior quarter.

- Eligible Wages

- Wages paid during shut-down or during quarter with reduction in gross receipts.
 - If > 500 employees, only wages paid for employees not to work.
 - If < 500 employees, all wages during qualifying period.

- Credit Calculation

- 70% of qualifying wages up to 10,000 in wages (7,000 credit) for each qualifying quarter. Max credit \$14,000 per employee

What Constitutes Fully or Partially Suspended Due to a Governmental Order?

9 IRS FAQs with Examples:

<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-when-an-employers-trade-or-business-operations-are-considered-to-be-fully-or-partially-suspended-due-to-a-governmental-order-faqs>

- If a business does not have a significant decline in gross receipts, focus on essential v. non-essential
- For essential businesses (i.e. not closed) to be deemed suspended it requires a facts and circumstances analysis. Examples in the FAQ talk about eligibility in situations where an essential business:
 - Has a portion (“more than nominal”) of its business closed
 - Normal operating hours reduced
 - Suppliers to the business unable to deliver critical goods or materials due to government order
 - But no eligibility just because customers are subject to government order requiring them to stay at home
 - If operate more than one location and at least one location is ordered closed
- If a closed business is able to continue operations in a manner “*comparable to its operations prior to the closure*” by requiring telework, business will not be considered suspended
- Also, “*if all of an employer’s business operations may continue, even if subject to modification (for example, to satisfy distancing requirements), such a modification of operations is not considered to be a partial suspension of business operations due to a governmental order, unless the modification required by the governmental order has more than a nominal effect on the business operations under the facts and circumstances.*”
- If a government order is lifted, an affected business is considered suspended for the portion of the quarter in which the order was effective, but not beyond.

Recap of Governor Walz EOs

<u>Executive Order</u>	<u>Businesses Impacted</u>	<u>Dates Shut Down</u>
<u>Executive Order 20-04</u> Providing for Temporary Closure of Bars, Restaurants, and Other Places of Public Accommodation	Restaurants, bars, theaters, exercise centers, recreational facilities	March 17, 2020 – March 27, 2020
<u>Executive Order 20-08</u> Clarifying Public Accommodations Subject to Executive Order 20-04	Salons, barbershops, and spas	March 17, 2020 – March 27, 2020
<u>Executive Order 20-09</u> Directing Delay of Inpatient and Outpatient Elective Surgery and Procedural Cases during COVID-19 Peacetime Emergency	Providers of elective surgeries and procedures, including non-emergent or elective dental care, that utilize PPE or ventilators	March 23, 2020 – May 10, 2020
<u>Executive Order 20-17</u> Clarifying Application of Executive Order 20-09 to Veterinary Surgeries and Procedures	Veterinarians	March 23, 2020 – May 10, 2020
<u>Executive Order 20-18</u> Continuing the Closure of Bars, Restaurants, and Other Places of Public Accommodation	Restaurants, bars, theaters, exercise centers, recreational facilities, salons, barbershops, and spas	March 27, 2020 – May 1, 2020
<u>Executive Order 20-20</u> Directing Minnesotans to Stay at Home	Non-“Critical Sector” businesses (CISA list)	March 27, 2020 – April 10, 2020
<u>Executive Order 20-33</u> Extending Stay at Home Order and Temporary Closure of Bars, Restaurants, and Other Places of Public Accommodation	Non-“Critical Sector” businesses (updated CISA list)	April 8, 2020 – May 3, 2020
<u>Executive Order 20-38</u> Allowing for Safe Outdoor Recreation	Exempting outdoor recreational facilities	Shutdown ends April 18, 2020

Recap of Governor Walz EOs

<u>Executive Order</u>	<u>Businesses Impacted</u>	<u>Dates Shut Down</u>
<u>Executive Order 20-40</u> Allowing Workers in Certain Non-Critical Sectors to Return to Safe Workplaces	Exempting “Non-Critical Exempt” businesses (industrial, manufacturing, and office-based businesses)	Shutdown ends April 26, 2020
<u>Executive Order 20-48</u> Extending and Modifying Stay at Home Order, Continuing Temporary Closure of Bars, Restaurants, and Other Places of Public Accommodation, and Allowing Additional Workers in Certain Non-Critical Sectors to Return to Safe Work places	Non-“Critical Sector” or “Non-Critical Exempt” businesses (industrial, manufacturing, office-based, or retail businesses).	May 3, 2020 – May 17, 2020
<u>Executive Order 20-56</u> Safely Reopening Minnesota’s Economy and Ensuring Safe Non-Work Activities during the COVID-19 Peacetime Emergency	Allowing non-critical businesses to reopen, except bars, restaurants, and other public accommodations, barbershops, salons	May 17, 2020 – May 31, 2020
<u>Executive Order 20-63</u> Continuing to Safely Reopen Minnesota’s Economy and Ensure Safe Non-Work Activities during the COVID-19 Peacetime Emergency	Bars, restaurants, places of public accommodation (on-premises consumption), fitness centers	May 31, 2020 – June 9, 2020
<u>Executive Order 20-74</u> Continuing to Safely Reopen Minnesota’s Economy and Ensure Safe Non-Work Activities during the COVID-19 Peacetime Emergency	Reopening bars, restaurants, gyms, and places of public accommodation	June 9, 2020 – November 20, 2020
<u>Executive Order 20-96</u> Restricting Social Gatherings, Celebrations, and the Hours and Operations of Bars, Restaurants, and Venues to Prevent Further Spread of COVID-19	Closing bars and restaurants for on-premises consumption between the hours of 10:00 PM and 4:00 AM	November 13, 2020 – November 20, 2020
<u>Executive Order 20-99</u> Implementing a Four Week Dial Back on Certain Activities to Slow the Spread of COVID-19	Closing bars and restaurants for on-premises consumption; closing exercise centers and indoor entertainment venues	November 20, 2020 – December 18, 2020
<u>Executive Order 20-103</u> Extending and Modifying Executive Order 20-99	Extending closure of bars and restaurants, but allowing outdoor service; extending closure of indoor entertainment venues; including trampoline parks and party buses; reopening exercise facilities for individual exercise	December 18, 2020 –January 11, 2021

Latest Executive Order

Restaurants & Bars Indoor Service Opens At 50% Capacity This Coming Monday

- 150 people maximum both indoor and outdoor, 6 people per table maximum
- Bar seating will be open for parties of 2 people with 6 feet of spacing
- Reservations are still required and the 10:00 p.m.-4:00 a.m. closure for restaurants and bars will remain in place.
- Mall food courts following restaurant and bar guidance may open.

Gyms will remain at 25% capacity, but the maximum is increased to 150 people.

- Masking is still required as well as 9 feet of social distancing.
- Fitness classes must not have more than 25 people.

Indoor entertainment and events open to 25% capacity with a maximum of 150 people.

- This includes movie theaters, bowling alleys, and amusement.
- Face coverings are required and food service may not be offered after 10:00 p.m.

Outdoor events and entertainment will remain at 25% capacity, but the maximum is increased to 250 people. Social distancing is required.

Churches remain open at 50% capacity but with no maximum.

Pools may open at 25% capacity with a maximum of 150 people.

Youth sports games may resume on January 14. Spectators are allowed at youth/high school sports with a 25% capacity and a maximum of 250 people outdoor or 150 people indoor. Masks are still required. Inter-region tournaments and out of state play is discouraged.

State Grants/Programs

- **MN December Legislation \$216 Million for COVID Relief**
 - **\$88M Direct Relief to eligible MN Businesses**
 - E.g., Restaurants, bars, bowling alleys, breweries, gyms
 - Eligibility established on 2019 & 2020 MN sales tax records
 - NO APPLICATION
 - Between \$15k-45k depending on # of EEs
 - Disbursed in early January 2021
 - **\$14M in other MN DEED Programs Kicked Off 1/5/2021**
 - Minnesota Convention Center Relief Grant
 - Up to \$500k available to qualified convention centers
 - MN Movie Theater Relief Grant
 - Up to \$150k available for qualified theaters

State & Local Grants/Programs

- **\$114M to all 87 MN Counties based on Pop.**
 - Olmsted County : new ~ \$3.1M to disburse
 - RAF & RAEDI doled out \$3.9M CARES Act to 250 local businesses and may administer these new state \$
 - Program Details in process—
TBD at County Board mtg on 1/19/21?
 - Anticipated Adjustments in This Next Round:
 - Application translated in as many as 5 languages
 - Potential eligibility for 501c6s and 501c8s
 - More outreach/communication
 - Adjust eligibility threshold (rev reduction of 25%?)
 - Higher Priority for ??:
 - Business most impacted by Governor's Orders
 - Smaller Businesses (< 6 EEs)
 - Businesses that excluded from funding in prior programs

State & Local Grants/Programs

- **Olmsted County \$3.1 Million State Program:**
 - Anticipated Eligibility Reqmts:
 - Must be located in Olmsted County
 - No Current Tax Liens
 - Show Impact on Business from Governor's Orders
 - Must spend \$ on expenses incurred in pandemic
 - County has discretion in how much to award
 - Previously awarded up to \$25k in round 1 & \$15k in round 2

Other Local Grants/Programs

- **Extension of Olmsted County property tax hardship exception - Hardship Qualification criteria:**
 - Apply by 2/15/2021
 - Properties must be classified as a commercial or industrial property in Olmsted County.
 - Apartment / agricultural properties will not qualify.
 - Property owners need to have paid at least 25% of abatement year property taxes prior to the time of application.
 - Property owners must have been current on their property taxes as of March 1, 2020.
 - Business revenue must have decreased by 30% or more as a result of the COVID-19 pandemic compared to 2019.
 - The business must have been in operation as of March 1, 2020.
 - The business must have been in good standing with Minnesota Secretary of State as of March 1, 2020.

- **City of Rochester Liquor License Relief**

Workforce Updates

- **Enhanced Pandemic Unemployment Ins.**
 - Extra \$300/ week from feds for 11 more weeks
- **FFCRA leave not mandated beyond 12/31/20; but FFCRA tax credits extended thru 3/31/21**
- **Stimulus Checks**
 - \$600 if individual income < \$75k
 - \$1200 to couples < \$150k (+ \$600/ dependent)

QUESTIONS?

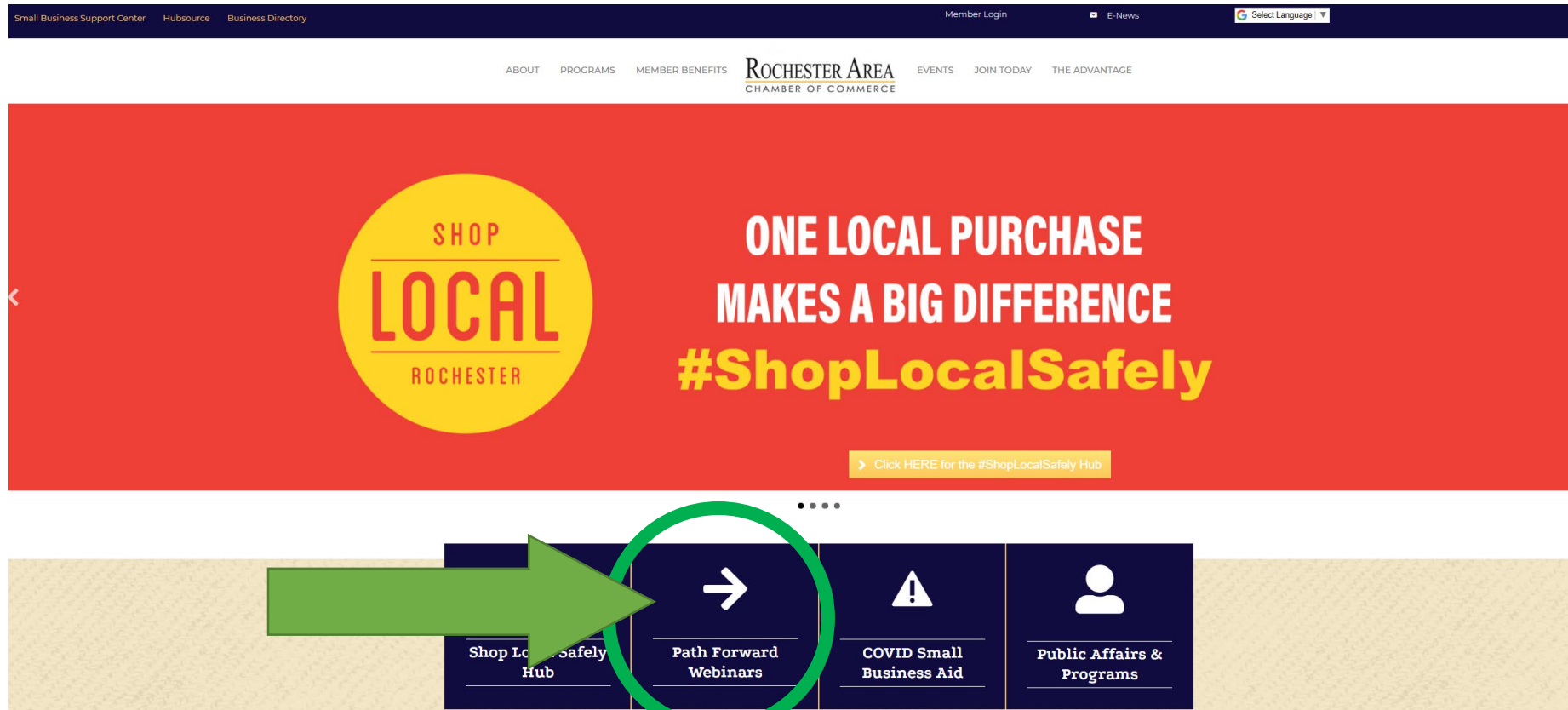
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Where to find the Path Forward Webinars



www.rochestermnchamber.com

Urgent Grassroots Action:

**Urge your Minnesota Legislators to adopt
FULL federal Conformity for PPP Loan forgiveness**

Greater Rochester-area Legislators

District 25

Senator Dave Senjem sen.dave.Senjem@senate.mn
Rep. Duane Quam (25a) rep.duane.quam@house.mn
Rep. Liz Bolden (25b) rep.liz.boldon@house.mn

District 26

Senator Carla Nelson sen.carla.nelson@senate.mn
Rep. Tina Liebling (26a) rep.tina.liebling@house.mn
Rep. Nels Pierson (26b) rep.nels.pierson@house.mn

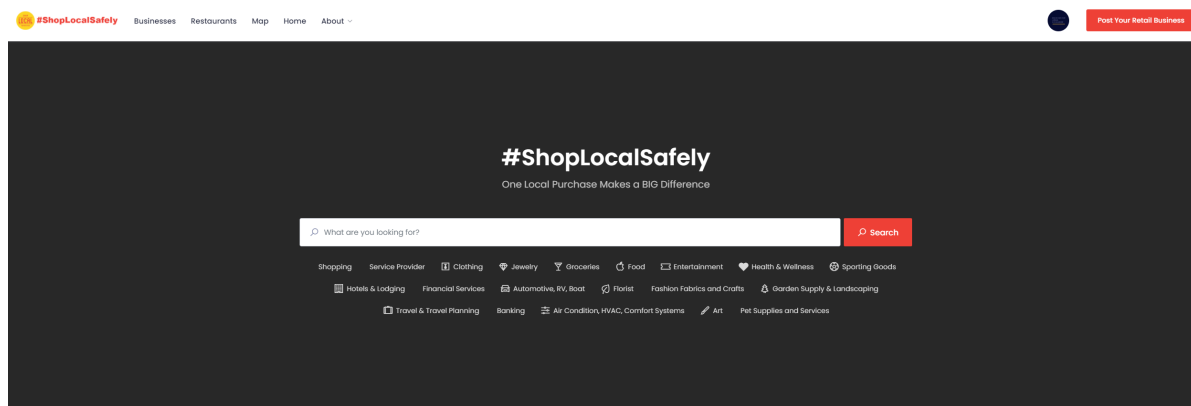
Urgent Grassroots Action:

Key Points for Your Email

- The recent federal stimulus bill passed in December 2020 made it clear that the forgiven PPP loans are not considered taxable income at the federal level and clarified that businesses are allowed to continue to deduct expenses paid with the proceeds of a PPP loan that is forgiven.
- Minnesota does NOT automatically conform to federal tax law changes and state legislation is needed to ensure the forgivable loans are not taxed in Minnesota and the deductibility of those expenses is allowed.
- These forgivable loans which were meant to help small businesses experiencing difficulties and revenue losses from COVID-19 pandemic will be taxed by Minnesota.
- It is essential that lawmakers act quickly. Early passage is important as the 2020 tax filing season starts soon and the final tax payment is due April 15th.
- As a small business owner, I cannot afford a tax hit at the state level on the federal financial assistance I have received to keep my employees and keep my business running.
- Please push and adopt full conformity for PPP tax loan forgiveness and allowing deductibility of expenses of my Minnesota income tax returns.



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shop-local-safely.com



#RochMNFood:
www.RochMNFood.com

