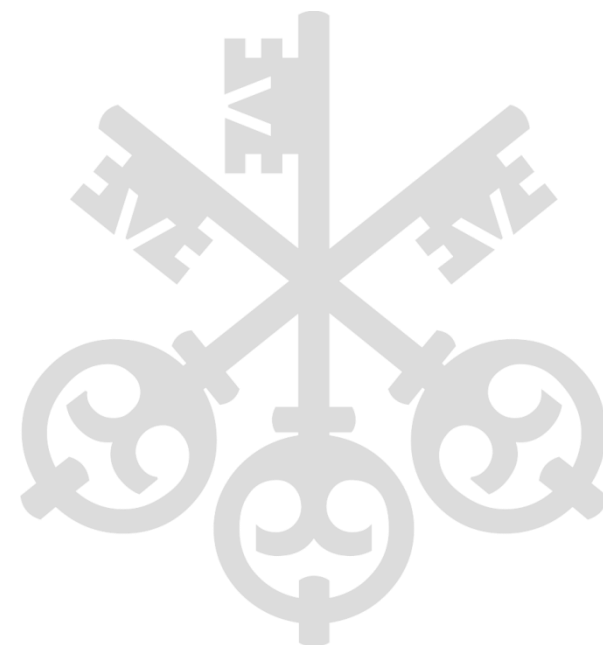


# Latest COVID-19 relief for business owners

Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act

Business Owners Client Segment  
UBS Global Wealth Management



# Updates to Paycheck Protection Program (PPP)

*Information is preliminary. Final rules by SBA may take up to 10 days. Consult your lender.*

## Expanded non-payroll costs

- Borrowers may spend up to 40% of the forgiven amount on non-payroll costs including (a) rent or lease, (b) utilities and (c) mortgage interest
- The new bill expands this category to include
  - **Operational expenses** for software, cloud computing, and other HR and accounting needs
  - **Property damage costs** due to public disturbances that occurred during 2020 that are not covered by insurance
  - **Supplier costs** pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations
  - **Worker protection expenditure** for PPE (e.g., face masks) and adaptive investments to help a loan recipient comply with federal or state health and safety guidelines (e.g., air filtration systems, take-out windows or sneeze-guard barriers)

## Covered Period & Forgiveness

- The Covered Period is now anytime at the borrower's discretion **between 8 and 24 weeks** (rather than 8 "or" 24 weeks)
- **A simplified one-page forgiveness application for loans up to \$150,000**
  - Unclear if Form 3508S will now apply for loans \$50-\$150k or if a new form will be developed (the SBA has 24 days to finalize this rule)
- **PPP forgiveness will no longer be reduced due to an EIDL Advance**
  - Impacted borrowers who have already received forgiveness will be given an opportunity to be made whole
- Borrowers who have already had loans forgiven may not take advantage of the expansion of non-payroll costs

## New PPP loans

- More than \$284 billion in appropriation for **first or second** draw PPP loans through **March 31, 2021**
  - Borrowers without a PPP loan but would now like one may apply
  - Borrowers who received and have used (or "will use") their full PPP loan may apply for a second loan
- Additional second draw PPP eligibility:
  - **300 or fewer employees** (waiver rules from first PPP still apply)
  - **At least a 25% reduction** in gross revenue/ receipts year-over-year in any quarter in 2020
    - "New businesses" (as per CARES Act) may compare to 1Q20
- Loan amount is calculated similarly
  - 2.5 x avg. monthly payroll in prior year
  - **3.5 x avg. payroll for NAICS Code 72** (Accommodation & Food Services)
  - Not to exceed \$2 million
- Similar terms for second PPP compared to first (e.g., rates, duration, forgiveness rules, 60% for payroll costs)
- Borrowers may only receive one second draw<sup>1</sup> PPP loan

# Shuttered Venue Operators, tax credits and other changes

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## Grants for Shuttered Venue Operators

- Authorizes \$15 billion for the SBA to make grants to eligible live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theatre operators, or talent representatives who **demonstrate a 25 percent reduction in revenues**
  - Note, there are detailed rules for each category that would exclude larger operations (e.g., multiple countries, more than 10 states, >500 employees) and smaller restaurants/bars that have a very limited performance operations
  - **May not receive a PPP loan after the enactment of this bill** (for example, no double dipping of grants and second draw PPP)
- **Grants of up to \$10 million** (and a supplemental grant of 50% of initial grant) to be used for payroll, rent, utilities, and PPE
- Grants will be prioritized first to those with largest revenue loss

## Tax Credits\*

- Employee Retention Tax Credit:
  - With limits to prevent double dipping, **PPP borrowers may also take advantage** of the Employee Retention Tax Credits
  - **Extends** the Employee Retention Tax Credits through July 1, 2021 and **increases** the amount of the credit from 50% to 70%
- Extends employer **paid sick and family leave tax credits** under the Families First Coronavirus Response Act through March 2021

## Other PPP incl. tax deductions\*

- Clarification of tax treatment
  - Confirmation that gross income won't include forgiven indebtedness
  - **Deductions are allowed for otherwise allowable expenses paid with the proceeds of a PPP loan that is forgiven**
    - The same applies for EIDL grants and certain loan repayment assistance and grants for Shuttered Venues
- Expansion of eligible borrowers to include, with limitations, housing cooperatives, news & radio, destination marketing and 501(c)6 organizations
- Clarifies that other employer-provided group insurance benefits such as group life, disability, vision, or dental insurance are included in payroll expenses. Borrowers may request an increase to their loan if previously not included

## EIDL, debt relief & 7(a) and 504 loans

- Additional funding for the Economic Injury Disaster Loan (EIDL) program for new borrowers
- **Existing EIDL Advance grantees that received less than \$10,000 may reapply to receive the difference**
- Additional funding to resume principal and interest payments of new and existing small business loans guaranteed by the SBA in 7(a), 504 and Microloan programs
- Waives fees associated with new 7(a) and 504 loans

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