

# 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)

Consult your lender for additional details and applicability to your individual circumstances

## 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 receive these funds from the SBA via their lender with interest
- 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
  - For second draw loans, borrowers must have used the **full amount of its first draw PPP loan for permitted purposes prior** to the second disbursement
- Additional second draw PPP eligibility:
  - **300 or fewer employees** (waiver rules from first PPP still apply)
  - **At least a 25% reduction** in gross receipts\* year-over-year in any quarter in 2020 (alternatively, FY 2020 vs 2019)\*\*
    - "New businesses" (as per CARES Act) may compare to 1Q20
- Generally, loan amount is calculated similarly
  - 2.5 x avg. monthly payroll in 2019, 2020 or prior 12 months
  - **3.5 x avg. payroll for NAICS Code 72** (Accommodation & Food Services)
  - Not to exceed \$2 million
- Same terms for second PPP compared to first (e.g., rates, maturity, no personal guarantee, forgiveness rules, 60% for payroll costs)
- Borrowers may only receive one second draw<sup>1</sup> PPP loan

\* Generally, "total income" plus "cost of goods sold" with exclusions. See the SBA's [Interim Final Ruling](#) on 1/6/2021 for full details as to the calculation of gross receipts or consult a tax professional.

\*\* Additional requirements and details can be found in the IFR above for borrowers that have engaged in an acquisition or disposition during 2019 or 2020.

# Shuttered Venue Operators, tax credits and other changes

## 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 are issued by the SBA and not banks or lenders
- **Grants of up to \$10 million or 45% of 2019 revenue** whichever is less (and a supplemental grant of 50% of initial grant to be offered later in 2021) 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 request 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

Appendix

# Information on First Draw PPP and EIDL

# First Draw Paycheck Protection Program Quick Guide (2021)

Loan size the lesser of \$10m or 2.5x Average Monthly<sup>1</sup> Payroll<sup>2</sup>

**Generally, to calculate monthly payroll, include these for (a) 2019, (b) 2020 or (c) trailing 12 months at borrower's discretion**

**For business owners with employees:**

- salary, wage, commission, or similar compensation
- payment of cash tip or equivalent
- payment for vacation, parental, family, medical, or sick leave
- allowance for dismissal or separation
- payment required for the provisions of group health care benefits, including insurance premiums
- payment of any retirement benefit
- payment of state or local tax assessed on employee compensation

**For independent contractors or sole proprietors:**

- wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the Covered Period

**...and exclude these**

- the portion of compensation of an individual employee in excess of an annual salary of \$100,000 (prorated)
- taxes for payroll, railroad retirement and income
  - Include payroll/FICA taxes that employee pays (withholds), but exclude what the employer pays
- compensation of an employee whose principal place of residence is outside of the United States
- qualified sick & family leave wages getting a credit due to the Families First Coronavirus Response Act

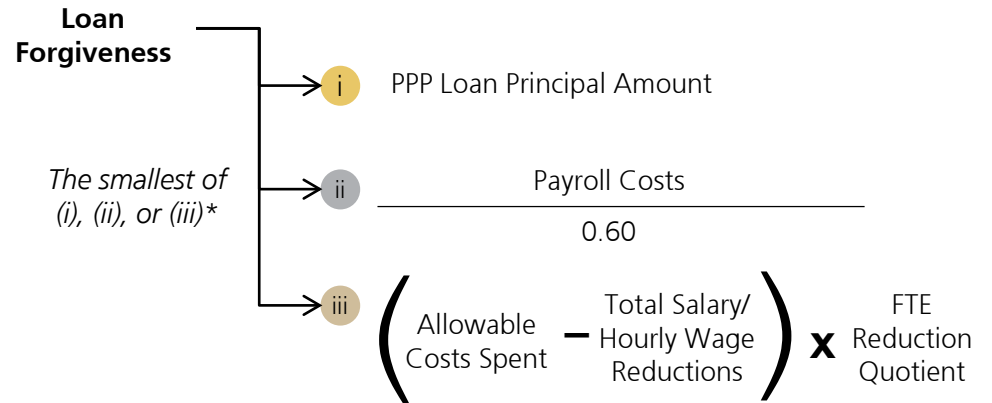
- Apply no later than March 31, 2021
- 5 Year Loan Term at 1% APR with no personal guarantee and are non-recourse
- Borrowers may continue to deduct expenses and any canceled indebtedness does not count towards the borrower's gross income for tax purposes

The **Covered Period** is at borrower's discretion between 8 and 24 weeks

**Forgive these costs...**

- payroll costs, including tips (**at Least 60%** of proceeds must be used for payroll)
  - *Note: owner payroll costs have limitations vs. non-owner employees*
- costs that were established before February 15, 2020
  - mortgage interest obligation
  - rent on a leasing agreement of real or personal property (e.g., vehicle leases)
  - utilities: electricity, gas, water, transportation, phone or internet
- covered costs for operational, supplier, worker protection expenditures or property damage not covered by insurance from 2020 public disturbances

**...and apply within 10 months from the end of Covered Period**



\***Borrowers with loans \$50,000 are exempt from the formula in (iii).** A simplified application for loans \$150,000 or less, as per Economic Aid Act, may provide a similar exemption, but final rules from the SBA have not been promulgated.



<sup>1</sup> The average monthly periods differ for existing, new and seasonal companies. Consult your lender.

<sup>2</sup> Borrower may choose to include an Economic Injury Disaster Loan's outstanding balance that was originated between January 31, 2020 and April 3, 2020 and that is being refinanced. Neither UBS Financial Services Inc. nor any of its employees provide tax or legal advice. You should consult with your personal tax or legal advisor regarding your personal circumstances.

# SBA Economic Injury Disaster Loan ("EIDL") Program

<b>Can I get both an EIDL and a PPP loan?</b>	Yes as long as they don't pay for the same expenses. Alternatively, an existing EIDL loan can be refinanced into a PPP loan.
Loan size:	Up to \$2,000,000
Eligibility	Small businesses, including ESOPs, sole props, independent contractors and non-profits affected by the coronavirus all U.S. states and territories
Interest rate:	2.75% for nonprofits (fixed) 3.75% for small businesses (fixed)
Term length:	30 years
Usage:	Working capital and normal operating expenses (rent, utilities, payroll, etc.)
Emergency Grant	An emergency grant of \$10,000 can be provided even before loan approval if used to cover certain payroll, supply chain and other specified costs. This grant is forgivable.
What you'll need to provide	Supporting documentation could include the business's most recent tax returns, a personal financial statement and a schedule of liabilities that lists all your current debts  Loans less than \$200,000 do not require a personal guarantee  Loans exceeding \$25,000 do have business-asset collateral requirements
More information	<a href="https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources">https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources</a>
How to apply	Apply directly to the SBA @ <a href="https://disasterloan.sba.gov/ela/">https://disasterloan.sba.gov/ela/</a> selecting Economic Injury as your reason. Alternatively, call SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail <a href="mailto:disastercustomerservice@sba.gov">disastercustomerservice@sba.gov</a> .
Note	These loans are issued by the SBA directly and <i>not</i> UBS Financial Services Inc., its affiliates or other banks.



# Changes since December 22, 2020

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- January 7, 2021:
  - Modifications based on SBA rules on 1/6/2021: updated information on how borrowers who had their forgiveness amounts reduced by an EIDL amount will be made whole, the full use requirement of first PPP before disbursement of second PPP; the ability to use 2019, 2020 or prior 12 months for loan calculation, the ability to use full year 2020 vs 2019 rather than any quarter for determining the 25% decline in gross receipts and two footnotes regarding the determination of “gross receipts” and that additional requirements apply for borrowers that engaged in an acquisition or disposition in 2019 or 2020
  - Within “Grants for Shuttered Venue Operators,” updated the grant amount to be up to \$10 million or 45% of 2019 revenues, whichever is less
  - Added Appendix with information on First Draw PPP and EIDL Loans as per the latest rules

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