

Bipartisan Emergency COVID-19 Relief Legislation

Support for Small Businesses

The end-of-year COVID-19 emergency relief package supports small businesses by:

- **Extending and improving the Paycheck Protection Program (PPP).** The legislation includes \$284 billion for the Paycheck Protection Program, which is extended through March 31, 2021. The bill makes the following improvements to PPP:
 - Provides a second PPP loan of up to \$2 million for smaller, harder-hit businesses that employ not more than 300 employees, demonstrate a loss of 25 percent of gross receipts in any quarter during 2020 when compared to the same quarter in 2019, and have used the full amount of their first PPP before a second loan is disbursed.
 - Expands PPP eligibility to certain local newspapers, TV and radio stations, public broadcasters, housing cooperatives, and 501(c)(6) nonprofits.
 - Simplifies the forgiveness process for loans of up to \$150,000 and revises the loan processing fee tiers to incentivize lenders to make loans to underserved and underbanked businesses.
 - Directs the Small Business Administration (SBA) to issue guidance that prioritizes underserved communities and to add a voluntary demographic information section on the applications for initial and second PPP loans, as suggested by the SBA Inspector General.
 - Dedicates a \$15 billion set-aside for loans issued by mission-lenders, including community development financial institutions (CDFIs), minority-depository institutions (MDIs), and SBA 504 and Microlenders, as well as another \$15 billion set-aside for certain smaller depository institutions, such as credit unions and farm credit institutions.
 - Creates \$60 billion in borrower set-asides: \$35 billion for borrowers who were unable to apply for an initial PPP loan, of which \$15 billion is for smaller borrowers with up to 10 employees or loans of up to \$250,000 in low-income areas; and \$25 billion for second PPP loans for the same small borrower category.
 - Repeals the requirement for PPP borrowers to deduct from forgiveness the amount of their EIDL Advance.

Eligible small businesses and nonprofits seeking initial PPP and second draw loans should contact an eligible PPP lender. A list of approved lenders is available on SBA's website [here](#).

- **Targeting support through the Economic Injury Disaster Loan (EIDL) Advance program.** The legislation provides \$20 billion in additional targeted funding for eligible entities in low-income communities through the EIDL Advance program from Section 1110 of the *CARES Act*. The bill makes entities in low-income communities, as defined in section 45D(e) of the Internal Revenue Code, that received an EIDL Advance under Section 1110 of the *CARES Act* eligible to receive an amount equal to the difference of what the entity received under the *CARES Act* and \$10,000. It also provides \$10,000 grants to eligible applicants in low-income communities that did not secure grants because funding had run out. Eligible small businesses and nonprofits seeking to participate in the EIDL Advance program should contact the SBA.
- **Creating a new grant program for shuttered industries.** The legislation authorizes \$15 billion for SBA to make grants to eligible live venues, independent movie theaters, and other cultural institutions that can demonstrate a revenue loss of 25 percent to address the economic effects of the COVID-19 pandemic. The SBA may make an initial grant of up to \$10 million dollars to an eligible person or entity and a supplemental

grant that is equal to 50 percent of the initial grant. Grants can be used to cover expenses such as payroll costs, rent, utilities, and personal protective equipment. Two priority periods are established to ensure the hardest-hit entities have dedicated access to assistance for the first 28 days of the program, while a reserve fund is made available to ensure that entities that are ineligible for the priority periods are able to receive assistance following the two 14-day priority periods. A set-aside of \$2 billion is also reserved for entities with 50 or fewer employees. Eligible individuals or entities seeking to participate in the shuttered venue grant program should contact the SBA. This is a new program and will take time for the SBA to launch.

- **Extending the Debt Relief program.** The legislation resumes the payment of principal and interest (P&I) on existing and new SBA 7(a), 504 and microloans, as established under the *CARES Act*. Existing borrowers will receive an additional three months of P&I, starting in February 2021, capped at \$9,000 per borrower monthly. Underserved borrowers, namely the smallest or hardest-hit, will receive an additional five months (eight total) of relief. SBA payments of P&I on the first six months of newly approved loans will resume for all loans approved between February 1 and September 30, 2021, also capped at \$9,000 monthly.
- **Enhancing other SBA core programs.** The legislation boosts SBA's core programs by:
 - Making lending programs, including 7(a), Community Advantage, 504, and the Microloan program, more affordable and useful to small businesses. It does so by increasing the 7(a) guarantee to 90 percent, waiving borrower and lender fees on 7(a) and 504 loans, enhancing 504 refinance options, and creating an Express 504 loan program for small loans. For the Microloan program, the bill gives borrowers an extra two years to repay their loan, provides funding to deploy \$64 million more in loans, and adds flexibility for lenders to counsel and deploy capital faster and where it is needed the most to help businesses impacted by the COVID-19 pandemic.
 - Improving SBA's entrepreneurial development and contracting programs, including by extending the waiver of matching funds requirement under the Women's Business Centers (WBCs), as well as allowing a one-year extension of participation in the 8(a) program, a federal contracting program benefiting underserved small businesses.
- **Providing funding for the Minority Business Development Agency (MBDA).** The legislation provides \$25 million for the MBDA's Minority Business Development Centers program, including Specialty Centers, to help minority business enterprises (MBEs) respond to COVID-19, including by helping them identify and access local, State, or Federal government assistance.
- **Extending and expanding the Employee Retention Tax Credit (ERTC).** The legislation extends the *CARES Act* ERTC through June 30, 2021, expands eligibility by reducing the required gross receipts decline from 50 percent to 20 percent, and increases both the credit rate from 50 to 70 percent of qualified wages and the limit on per-employee creditable wages from \$10,000/year to \$10,000/quarter. The bill also modifies the threshold for treatment as a 'large employer' by increasing the 100-employee delineation for determining the relevant qualified wage base to employers with 500 or fewer employees. Small businesses with 500 or fewer employees are allowed to advance the credit at any point during the quarter based on wages paid in the same quarter in a previous year. Employers who receive PPP loans may still qualify for the ERTC with respect to wages that are not paid for with forgiven PPP funds.
- **Clarifying the tax treatment of COVID-19 small business support.** The legislation clarifies that small business assistance—including PPP forgiven funds, emergency EDIL grants, Targeted EIDL Advances, certain loan repayment assistance, and grants for shuttered venues—are not taxable as income and that deductions are allowed for otherwise deductible expenses paid with the proceeds of this small business assistance.