

IFA COVID Relief Update

Congress Passed Monumental COVID Relief Package December 21

Congress passed a \$900 billion COVID relief package that includes new federal assistance to small businesses. This follows months of IFA staff and IFA member advocacy on behalf of franchise businesses.

The bill contains major pro-franchise provisions, including an additional round of PPP for the most affected businesses (with additional support within the PPP for restaurants & hotels), PPP tax deductibility, simplified PPP loan forgiveness, enhancements to the SBA 7a program and an expanded Employee Retention Tax Credit.

Among other important provisions, below are some highlights:

- **PPP Tax Deductibility:** The legislation contains a provision that mirrors Senator Cornyn's legislation, [S. 3612, the Small Business Expense Protection Act](#), that will allow for full deductibility of business expenses on forgiven PPP loans for both "first" and "second draw" loans. This provision was included in the face of significant opposition by Treasury Sec. Mnuchin, who mounted an 11th hour push to include "guardrails" by limiting deductibility ONLY to businesses who could show a revenue loss in 2020. Fortunately, this approach was rejected by leadership in both parties.
- **2nd Draw of a PPP Loan for Most Impacted Businesses:** The bill includes an additional \$284 billion for PPP loans. Eligibility would be limited to small businesses with 300 or fewer employees that have sustained a 25 percent revenue loss in any quarter of 2020. This is a significant departure from earlier proposals that pegged the decline at 50 percent revenue decline. Loan size will be 2.5 times avg monthly payroll, except businesses in NAICS Code 72 will be eligible for PPP loans at 3.5 times avg monthly payroll. Loan sizes are capped at \$2 million per corporate entity.
- **Enhanced PPP Forgivable Expenses:** Additional forgivable expenses related COVID-related expenditures, to include software, cloud computing & other human resources and accounting needs; property damage due to public disturbances in 2020 not covered by insurance, covered supplier costs and PPE.
- **Streamlined PPP Forgiveness:** For borrowers under \$150,000, the law creates a simplified forgiveness application whereby the borrower signs and submits a one-page certification that requires the borrower to list the loan amount, the number of employees retained, and the estimated loan amount spent on payroll costs.



- **Extension of Trouble Debt Restructuring:** The bill extends Sec. 4013 provisions included from the CARES Act thru Dec. 31, 2021. TDR relief encourages lenders to work with COVID-impacted borrowers to modify loans without having to classify the modification as “troubled debt” under their accounting rules. Bank regulators provided [interagency guidance](#) in March 2020 on TDRs that was set to expire. This TDR relief allows lenders and borrowers to work together without moving balances to “troubled debt” through the end of the pandemic.
- **Extension of Sec. 1112:** The CARES Act allowed the SBA to pay principal & interest payments for new and existing SBA 7(a) and 504 loans. This bill extends these payments thru March 31.
- **Enhancements to SBA 7(a) Lending Program:** IFA led a [big lobbying push dating back to March with borrower and lending groups](#) to include enhancements to these traditional SBA lending programs, similar to what was done in 2009. The enhancements include an increase to 90 percent loan guarantees for the 7(a) program, and fee waivers.
- **Repeal of EIDL Advance Deduction:** Previously, borrowers who took a PPP and an EIDL advance grant (\$10,000) [had to deduct the EIDL amount](#) from their PPP loan when applying for forgiveness, thus negating the full benefit of the PPP. This provision eliminates that deduction and restores the full impact of the PPP.
- **Employee Retention Tax Credit Extension and Expansion:** The provision extends and expands the CARES Act employee retention tax credit (ERTC) for six months. Beginning on January 1, 2021 and through June 30, 2021, the provision includes:
 - Increases to the credit rate from 50 percent to 70 percent of qualified wages;
 - Expands eligibility for the credit by reducing the required year-over-year gross receipts decline from 50 percent to 20 percent and provides a safe harbor allowing employers to use prior quarter gross receipts to determine eligibility;
 - Increases the limit on per-employee creditable wages from \$10,000 for the year to \$10,000 for each quarter;
 - Extension of the Work Opportunity Tax Credit (WOTC) for 5 years.

[The full text for the bill can be found here.](#)

[The small business section summary of the legislation can be found here.](#)