



PECO CONNECT

COVID-19 RELIEF 2.0: What You Need to Know

January 3, 2021

The COVID-19 pandemic brought many challenges to our Neighbors across the country. Phillips Edison & Company (“PECO”), through the PECO Connect program, has been working to share information and resources to help you navigate the ever-changing situation. Below is an overview of the latest relief measures recently enacted by the Federal government. We will continue to update you as more information is released.

What measures were enacted?

On December 27, 2020, the Federal government enacted the Coronavirus Response and Relief Supplemental Appropriations Act (the “CRRSA”) to supplement the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) that was passed in March of 2020.

Similar to the CARES Act, the CRRSA provides a wide spectrum of relief measures for individuals and businesses negatively impacted by the COVID-19 pandemic. Sections of the CRRSA which may be of interest to PECO’s Neighbors include:

- Approved \$284.45 billion in additional funding for a second round of Paycheck Protection Program (PPP) for small businesses.
- Adding \$20 billion for grants under the SBA’s EIDL program.
- Authorizing \$2 billion for other SBA funding
- Providing certain tax benefits and relief for individuals

Please see the sections below for more information on each of these.

Recharged PPP Program

The CRRSA recharges the PPP with \$284.45 billion in additional funding. Below is a summary.

What does the additional PPP mean for your business?

The PPP provides forgivable loans to both eligible new borrowers and qualifying borrowers that already received a loan under the first round of PPP funding.

- **First-time borrowers:** Under the recharged PPP, first time borrowers will be subject to the PPP eligibility rules established under the CARES Act. Publicly traded companies, businesses that were not in operation on February 15, 2020, and entities that receive shuttered venue operator grants are not eligible to receive PPP loans under the CRRSA.
- **Existing PPP Borrowers:** Existing PPP borrowers may apply for a second PPP loan subject to a \$2 million cap, but they must satisfy more stringent eligibility requirements than first-time borrowers. Among other requirements, second-time borrowers must have (1) less than 300 employees and (2) experienced a decline of at least 25% in gross receipts during a quarter of 2020 as compared with the same quarter of 2019.

How much can a business borrow through the PPP?

Each PPP borrower is eligible to receive up to 2.5 times its average total monthly payroll during either (1) 2019 or (2) the one-year period prior to the date of the loan. An eligible business in the food services and accommodations sector can receive up to 3.5 times its average total monthly payroll. As noted above, there is a \$2 million cap for second-time PPP borrowers.

Are there requirements as to how the PPP funds are used?

The CRRSA requires PPP borrowers to spend at least 60% of the loan proceeds on payroll to receive full forgiveness of the loan. The other 40% of the loan proceeds can be used on other eligible costs including rent and utility payments. The CRRSA expands the list of eligible expenses for forgiveness to include software, cloud computing expenses, or human resources and accounting costs, as well as other specifically identified expenses (e.g., costs related to property damage and vandalism or looting due to public disturbances that occurred during 2020 not covered by insurance or other compensation; and costs incurred in connection with compliance with COVID-19 related health and safety guidelines).

What is the process for PPP loan forgiveness?

Eligible borrowers who receive \$150,000 or less in PPP loans will be able to apply for loan forgiveness using a simplified one-page loan application to be issued by the SBA. The loan application will only require borrowers to state the total loan amount, the number of employees retained as a result of the loan, and the estimated amount of the loan used on payroll.

How long is the PPP loan?

Borrowers can choose the length of the covered period over which they must use their PPP loan proceeds to be as short as eight weeks or as long as 24 weeks.

What else has changed from the CARES Act PPP loan program to the CRRSA?

- *Deductibility of Expenses:* The CRRSA reverses IRS guidance on the deductibility of certain business expenses paid using PPP loan proceeds. PPP borrowers under the original program or the recharged program can now claim certain deductions for business expenses even if those expenses were paid using PPP loan proceeds. Please consult your tax advisor for additional information.
- *No EIDL Deduction:* The CARES Act required PPP borrowers who obtained a \$10,000 advance under the SBA's Economic Injury Disaster Loan ("EIDL") program to deduct that advance from the amount of their PPP loan proceeds that could be forgiven. The CRRSA repeals that requirement. Eligible borrowers of the recharged PPP will not need to deduct any proceeds they receive from the EIDL from their PPP loan forgiveness amount.

How do you apply for the PPP loan program?

The Small Business Administration ("SBA") has 10 days after enactment of the CRRSA to issue regulations regarding its administration of the new PPP loans, which should provide additional detail regarding the new program. PECO Connect will provide additional details as they become available.

EIDL Grant Expansion

The CRRSA added \$20 billion for grants under the SBA's EIDL program. Below is a summary.

What is an EIDL Grant and who can apply?

Eligible businesses, independent contractors, and self-employed individuals may receive up to \$10,000 in grants which are not required to be repaid if they meet certain economic requirements set forth by the SBA, which include (1) being in a low-income community, (2) having suffered an economic loss of greater than 30%, and (3) having not more than 300 employees.

Other SBA Funding

The CRRSA authorizes \$2 billion for the SBA's 7(a), 504, and microloan programs, while allowing the SBA to waive borrower and lender fees. The SBA is permitted to raise the standard guarantee on its 7(a) loans to 90% from 75% and retain the size threshold for SBA Express loans at \$1 million. The SBA is also authorized to create a 504 Express program to expedite approval of loans under \$500,000.

Tax Benefits and Relief for Individuals

The CRRSA also provides some tax benefits and relief for individuals, including:

- Direct relief payments of up to \$600 per person. Exact amounts are subject to income thresholds. Visit <https://www.irs.gov/coronavirus/economic-impact-payments> to learn more about these payments.
- Federal unemployment compensation (on top of existing state benefits) and extended Federal unemployment benefits. Visit <https://www.dol.gov/coronavirus/unemployment-insurance> to learn more and find links to your state's unemployment insurance office.
- Rental relief for individuals to be used for future and back rent, utilities, and other housing expenses incurred due to COVID-19, as well as an extension of the Federal residential eviction moratorium through January 31, 2021.
- Tax relief measures for businesses and individuals. Please see your tax advisor for more detail.

**This information is provided for informational purposes only and nothing herein shall be construed as legal, tax, or business advice. You should consult with your own advisors prior to pursuing any forms of economic relief discussed below.*