

What's In The Third Stimulus Bill and How It's Impacting Small Business Owners

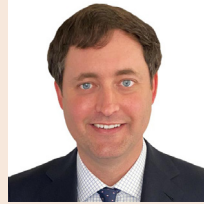
PAYCHEX
Business
Series

Coronavirus



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Full transcript

Gene Marks:

Hey, everybody. This is Gene Marks and welcome to the Paychex Business Series podcast. Happy to be here and also happy to have my very special guest Thad Inge who's the senior manager for government relations. Thad, and I are going to talk about everything you need to know about all the changes in the stimulus program that just went through. I want to make sure that you're aware, we're going to try and cut to the chase, make sure we get the facts out to you. And also we're going to assume that you know nothing about the stimulus program, so we can really summarize them quickly for you and then let you know where they stand as of now. So, all things that you need to know about government stimulus, all right, so let's get to work. Thad, first of all, thank you for joining me again. We always have great conversations, don't we?

Thad Inge:

Yep. Thanks for having me, Gene. It's always fun.

Gene Marks:

It is always fun. And it's always full of facts and information. So let's get to the facts and the information. So new stimulus bill just passed. This is now it's a grand total of \$5 trillion in stimulus when you add the original CARES Act, the trillion dollars that passed at the end of the year. And then this one was about \$1.9 trillion. There's a whole bunch of things in a year for individuals, unemployment, stimulus checks, but Thad, you and I are going to focus on what small business owners need to know. And if you're listening to this, here's what you can expect.

Gene Marks:

We're going to give you updates on the Paycheck Protection Program on the grants, under the Economic Injury Disaster Loans. We want to give you updates about the employee retention tax credit, the Families First Coronavirus Response Act. There's a COBRA tax credit you're going to need to know about. And then there's two huge grant programs now, one for people in the arts industry and one for people that are in the restaurant industry that you absolutely need to know about. So, that's what we're all going to be covering. So let's get to it so Thad, I'm going to start with you. Paycheck Protection Program, first of all, just give us all, insult our intelligence. Give us a recap of what the PPP is and tell us what changed in this last round of stimulus.

Thad Inge:

Yeah, so Paycheck Protection program is the forgivable loan program that SBA rolled out. Initially that was in the CARES Act that allowed folks to get a forgivable loan for the wages that they were paying. And then the bill that passed in December, the stimulus bill just before the end of the year allowed for a second round. And so folks could go back and get a second round of funding if they had a 25% revenue reduction, 2020, over 2019. And so that got a lot of funding, \$284 billion at the end of the year. And so there wasn't as much in this bill, although it did provide some additional funding about seven and a half billion dollars extra, and some of that's for technology, some of it's just authorization. And then on the regulatory side, on the agency side, they've been making a few changes as well, just in terms of the application, how much money folks get, and sort of who's prioritized for these loans.

Gene Marks:

That sounds great. And not necessarily part of this bill, it was more of a white house action a few weeks ago, but listen, let's all roll it into one, the white house and the SBA are trying to make it easier for sole proprietors, schedule C filers, self-employed people, that don't have employees to apply for PPP. Can you give us some information on that?

Thad Inge:

Yeah. So, the first thing they did was they said for two weeks, which is going on right now that only businesses with fewer than 20 employees could apply. So, it allowed those businesses to make sure they were getting priority from the lenders, because for that two week period, there'll be only ones that can apply. And then on top of that, if you're a schedule C filer, so a self-employed, sole proprietor, then one change is, they're allowing you to use your gross amount to calculate the loan amount now as opposed to the net. So it's line seven on your schedule C as opposed to line 31. So it just allows that loan to be a little larger.

Gene Marks:

Yeah, that's exactly right. And even though the window, boy, maybe when people are hearing about this, because it was only a two week window has closed as you and I are talking right now. I mean, there's still about a half of the PPP money available. And just so you know this program closes, I mean, it expires on March 31st. They did not extend it as of yet. So there's plenty of money, I think, there is out there for schedule C filers. And I guess the takeaway, Thad, is that if you're an independent contractor, this seems like a real viable thing for you now, because you can include gross income instead of net income, as far as your loan calculation.

Thad Inge:

Exactly. I mean, there had been a lot of complaints that folks said, "Well, on paper it doesn't look like I made as much money because I had all these expenses. And so it allows folks to take that into account."

Gene Marks:

Got it. Okay. Let's move to Economic Injury, Disaster Loans. That program is issued directly from the small business administration, sba.gov. The EIDL loan program is very much alive and just got a bunch more funding, particularly for advances, right Thad?

Thad Inge:

Yep. So, they got \$15 billion more in this latest bill and they had gotten a big chunk of money at the end of December as well. And that has been rolled out a little more slowly than the PPP, just in terms of reopening it back up and standing it back up, but it is available and you can get these idle advances, which are up to \$10,000. And then there's also the standard idle loan, which is a long-term low interest loan that can be used for operations a variety of, a variety of purposes.

Gene Marks:

Correct. And these advances, by the way, guys are there, they're really directed at businesses that are in a low- to moderate-income communities, which is basically if your business is located in an area where the average income is anywhere from 50 to 80% compared to the surrounding communities, you're probably in a low to moderate income area. And this is like really being targeted to you, especially if you have less than 300 employees and you've suffered what they call an economic loss, which is gross receipts that declined 30% during a period this year compared to a comparable period last year. So the takeaway there, Thad, is that there's more money for grants through the Economic Injury Disaster Loan Program. Particularly if you're a business in a low- to moderate-income area. Does I forget anything there?

Thad Inge:

Nope. I think that's right. The advances are forgivable. So they're essentially grants, the \$10,000. And then the larger loans you have to pay back.

Gene Marks:

Correct. And just so you guys remember for these Economic Injury Disaster Loans, which Thad said there are long-term loans, 30 year maturity. I mean like a hundred thousand dollar loan, you're paying like 400 bucks a month. It's pretty good. You just need to be in a disaster area. the whole country has been declared a disaster area because of COVID. So, to get these grants that you do have to show more, that you've been substantially impacted, the grants are not taxable either, and you can get these grants, even if you have a paycheck protection loan. So, that's great stuff. Okay. Thad, let's move on to the next. We've talked about changes to PPP. We've talked about changes to more grants under the Economic Injury Disaster Loan Program. Next is taxes, the Employee Retention Tax Credit. Can you explain to us what that is and what's changed with this new stimulus bill?

Thad Inge:

Yep. So that's been a big topic here at Paychex because the stimulus bill that passed in December said that folks could get the ERTC tax credit and a PPP loan, which was not allowed under the CARES Act. And it's essentially a tax credit for keeping employees on the payroll. And so the details get a little complicated between looking at 2020 and 2021, but for folks that had a PPP loan in 2020. And so they did not back then apply for the ERTC can now go back and retroactively apply for it, if they're eligible, and get up to 50% tax credit up to \$10,000 on their employees, and eligibility is based on either revenue loss or if your business had to close because of a government shut down. So, restaurants, hair salons, dentists, anyone like that that had to close their business is eligible to go back and claim this credit. And so for the bill that just passed, it extended it for the third and fourth quarter of 2021 and had already been extended through the second quarter. And so it adds for the remainder of 2021, these credits will be available.

Gene Marks:

Yeah, it's a potentially giant credit. And like you said, Thad, it's 50% if you're trying to calculate it for last year, it went up to 70% for 2021, but it's capped at 10,000 of salary. In other words, it's 7,000 per employee per quarter. And all you need to do is be sure that you had you were shut down by the government for like one day during the quarter. And then you're in that kind of a shape. So, it's a real good thing. I know that Paychex, not to give a commercial for Paychex here, but I know they've recently announced services around these Employee Retention Tax Credits. I'm telling you if you're listening to this, you've got employees, you had a revenue loss, or you were shut down anytime in 2020, or now 2021, talk to your Paychex representative because the calculation can get kind of complicated, but it could be big money back, right Thad?

Thad Inge:

Yep. For sure. And a big part of that calculation is me looking at your PPP. You can't claim the same funds, the same wages. And so it's figuring out, all right, what wages do I apply PPP to what way do I apply the ERTC to? But it's a big opportunity.

Gene Marks:

Yeah, it's a payroll tax credit. And by the way, if your credit calculation is higher than what payroll taxes you owed during the quarter, you would get the money back in cash. It's a refundable credit. So it's really a good deal. Talking about credits then let's move on to the next big credit, which is related to the Families First Coronavirus Response Act. So, Thad, can you explain to us what that is and the credit that's involved?

Thad Inge:

Yeah, so the Families First Act was one of the first COVID bills that passed. That was actually even before the CARES Act. And it had a lot of paid leave provisions and mandates where paid leave was required around COVID. And then there were tax credits to help businesses pay for that paid leave. And after the December stimulus bill, they extended some of those tax credits, but they took away the mandate. And so if you had an employee get COVID, you're no longer mandated to pay them during their leave, but you could still qualify for the tax credit if you chose to. And that has been extended even more. It was through March 31st. Now it's been extended. I think it's till the end of June and it's also bumped up a little bit. So, it was a cap on \$10,000, that's gone up to \$12,000. And so if folks have employees that are having to take paid leave, or that are taking it, you can get reimbursed through those tax credits.

Gene Marks:

Yeah, that is exactly right. This is a tax credit that's separate from the employee retention tax credit as well. You're not required to provide this paid leave anymore. It's for any employee that was impacted by COVID. But at the same time, a lot of, that's even if they had kids still learning from home, but you can get a tax credit if you're going to continue to pay them. So, it's not required, but if you are going to do that, it is a credit, and Thad, I have that it's actually extended through September, I think is what it is.

Thad Inge:

Okay. That sounds right.

Gene Marks:

Yeah. Again, check with your Paychex rep or your accountant or your attorney just to make sure, but Thad, you're absolutely right, it has been extended, so that's another big benefit. Now, you had mentioned before, which I'm actually not that up to speed on. And I'd like to is this COBRA tax credit. So first of all, can you explain what we mean by COBRA and also what this tax credit that's included in this new stimulus bill?

Thad Inge:

Yeah. So, COBRA is the law that gives employees the opportunity to stay on their employers health insurance for a number of months, if they've been terminated or let go. And normally the employee has to pay a hundred percent out of pocket. So, if an employer let someone go, they're not responsible to continue paying for their healthcare. But if there is a group plan an employer plan, the employee for a number of months can pay out of pocket. And under the stimulus bill in 2009 was the first time they did this. They did a government subsidy because so many people were being laid off that the government subsidized folks staying on their health care plans. And that is part of this bill that has just passed. And it's actually a hundred percent subsidy. They had initially had it at 85% when it got out of the House and then the Senate bumped it up to a hundred percent.

Thad Inge:

And so if an employer does have employees that have been laid off, the employee has the option to stay on the plan where it gets a little complicated is how that's actually paid for, and it's going to be a tax credit to the employer. And so the employer will get those funds and pay the premiums, the COBRA premiums for the employee. And so if you have folks that are laid off or leaving, as a result of COVID, they will be able to qualify for this hundred percent subsidy and there will be a role for the employer to help facilitate that.

Gene Marks:

Got it. All right. That's great stuff. All right, now we've talked about PPP programs, so changes to that. We've talked about grants and new grants that are available, particularly for low- to moderate-income businesses. We've also talked about some tax credits that are out there, specifically the Employee Retention Tax Credit, Families First Coronavirus Response Act tax credit. These are all been extended as well as this COBRA tax credit, so if you have employees that you lay off or that leave, and they're still paying COBRA, they can get subsidized and the employers are involved in that process as well. So that's also a good thing. Now let's talk about two giant grant programs, Thad, that we should know. The first I came about in the last stimulus from December, although not... The application is still not ready yet. It's the Shuttered Venue Operator Grant Program. Tell us what you know about that, and what's changed with this new stimulus.

Thad Inge:

Yeah, so that was a \$15 billion program. And it was really aimed at venues that have taken a hard hit because of COVID-19. So, theaters, live outdoor music venues, museums, businesses that really rely on ticket sales to drive revenue. And so the idea was to have this grant program that would be based on revenue loss, and it's up to \$10 million per business to allow them to recoup and stay afloat. The frustration for a lot of these businesses has been the wait. So this past end of December, they have come out with FAQ's guidance, a lot of information on what businesses need to do to get prepared, to get this grant. But the actual application is still not out. And so a lot of businesses have been hanging tight, waiting for this to come out, holding off on PPP, because this is a bigger program.

Thad Inge:

And hopefully it'll come very soon. They've made a few changes in this last bill to try to provide a little more flexibility since the deadline is approaching for PPP. So, there's an additional, I think it's 1.2, 5 billion for this program. And then some language we're still kind of assessing the impact, but it looks like you might be able to apply for PPP. And then if you end up getting both, you would just subtract that amount from your shuttered venue grant, but we're still kind of looking at how that plays out exactly.

Gene Marks:

Fair enough, but the program as well, and just listen, if you're in the arts industry, and I got to read this out, you're a live venue operator promoter, you're a theatrical producer, you're a live performing arts organization. You are a museum operator, or a motion picture theater owner or operator, even a talent representative, you just have to show that your revenues have gone down 25% in the most recent year compared to last year. And if you have less than 50 employees, you can get up to a \$10 million brand. I mean, this is like a huge program and this is different from PPP, right Thad? I mean, this is not a loan. This is actual grant money that's being given out.

Thad Inge:

Yep. And I think that might be one of the reasons it's taken longer for them to stand it up because they really have a lot of controls that a typical grant would have, but yeah, no need to pay it back once you have it. And there are some restrictions on what you use it on. It needs to be wages, operating expenses, rent, that kind of thing.

Gene Marks:

Got it. Yep. So, if you're in that business and you're looking for that money, again, you've got to keep checking [sba.gov](https://www.sba.gov) because that's where you're going to go to fill out that grant application. And the last thing that we'll talk about now, Thad, is and the last biggest thing affecting businesses has to do with restaurants. This is giant as well. It's the Restaurant Revitalization Fund, another grant program, just like the one for the arts industry, except this is for the restaurants industry. So, Thad tell us what you know about that.

Thad Inge:

Yeah. So the restaurant vitalization fund is really the one big new program that came out of this latest stimulus bill. And as you know restaurants have obviously been among the hardest hit from the pandemic and have been pushing since day one to really get a stimulus program that focuses on them. PPP was kind of a catchall, understandably, that it's not just restaurants, there's hair salons and gyms and all kinds of folks. And so they decided to go for a more general program. And then the last round of PPP in December, they said, "We will allow restaurants to get a little more", but this is the first program that's really targeted just at restaurants, and also food trucks and others in that line of business.

Thad Inge:

And it's going to be a grant program where you look at your 2020 revenues, you look at your 2019 and you can pretty much get a grant up to \$10 million for that revenue loss for the amount that you went down. And you're not prevented from also getting a PPP loan, although that does impact a little bit in terms of how much you get, if you did get a PPP loan, but this is brand new, there'll be rolling this out. Hopefully, the rollout won't take too long and it's \$25 billion that are earmarked for restaurants.

Gene Marks:

Yeah. It's, I think it's absolutely enormous and it is badly needed by this industry. And I have kind of mixed feelings about it too, Thad, because I walk around, I see where we are in recovery now. So, a lot of the restaurants that are still around are now getting back to business. I mean, this money could have really been used last year, not now. But there's a transition period, while these restaurants are trying to get back to normal and they need all the help they can get, and it is a grant. And think about that. I mean, jeez you take your 2020 revenue when you compare it to your 2019 revenue. And basically like whatever the difference is, you can potentially be eligible for a grant for that amount up to 10 million bucks.

Gene Marks:

I mean, that's huge. That is huge. All right. Well, that's great. So, Thad, let me, first of all, recap, I'm going to ask if you have anything left to add, but guys, again, this new stimulus, which may be the last one, let's hope it's the last one. I mean, it's not a need because we're heading into such a strong recovery, but Paycheck Protection Program. So more money has been added to it. There are looser rules, if you're a sole proprietor or a self-employed individual to get that money as well. So, that is still there, but it is expiring at the end of March. So you've got to act fast. The Economic Injury Disaster Loan Program, more money has been funded into that, but not just for loans, but for grants to be given out.

Gene Marks:

So businesses located in low- to moderate-income areas that are less than 20 employees. And then it ramps up a little bit after that, but these are up to \$10,000 grants that you can get for your business. So that's another thing you want to check on the SBA's website about, there were two tax credits that were extended, the Employee Retention Tax Credit, which is a credit for you keeping your employees on payroll. Even if you've been shut down or partially shut down or suffered a revenue loss, you can get a big tax credit for doing that. It's been extended through the end of the year. And in addition to that, the Families First Coronavirus Relief Act tax, or Response Act tax credit. If you continue to pay your employees, even while they're at home, because they've been affected by COVID, you can get a tax credit for that, that has been extended.

Gene Marks:

And then also this COBRA tax credit, if you had to lay employees off and they were paying for their health insurance, there's a credit available for you as the employer to help them fund those payments, which is also really, really big and helpful stuff. In addition, there are two, now, one new one, one existing one, but two big grant programs available. If you're in the arts business, it's called the Shuttered Venue Operators Program, grants of up to \$10 million for you. You want to apply on the SBA's website, the application is not available yet, but should hopefully be there imminently.

Gene Marks:

And if you're in the restaurant industry, it is the Restaurant Revitalization Fund, another incredible grant program for you to apply that makes up for any loss of revenues from one year to the other. And by the way, I just saw, I'm going to read off this list, Thad, as well. When I talk about the restaurant industry, these are restaurants and bars, food stands, food trucks, food carts, caters, saloons, inns, taverns, lounges, brew pubs, taprooms basically anybody that's serving food or alcohol, you might be eligible for this, And I think that's a really great thing. Thad, it's a lot of information in just 20 minutes or so anything else that we're forgetting here?

Thad Inge:

I don't think so. I think the one reason this can get complicated is around eligibility and businesses are asking themselves, "Am I eligible?" And I would just say, it can be a complicated process, but I wouldn't assume that you're not eligible because like you said, on the ERTC if you've been shut down for one day, you could qualify. So, I wouldn't assume you're not eligible, but I would take a hard look. I would talk to your CPA and see what actually fits for your business.

Gene Marks:

That was a great comment, and that might be something I write about in the future because you're right, in the end, these are all great programs, but people don't know if they're able to get the money or not, so that's great. Thad Inge, thank you so much for joining us. Great information as usual guys. Thad is the senior manager for government relations at Paychex, one of many future appearances, you will be making here on this podcast as we discuss ongoing governmental regulations and actions that are going to be impacting your business, you have been listening to the Paychex Business Series Podcast. My name is Gene Marks. If you any more help in running your business or advice for your business, visit us at paychex.com. It's Paychex.com/WORX. That's W-O-R-X. Again, my name is Gene Marks. Hope this information is helpful and we will see you in the future. Take care.

Speaker 3:

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