

Covid-19 Small Business Survey (16)

PPP, ERTC, the Economy, the Vaccine, and Employee Compensation

NFIB Research Center

March 11-16, 2021

The NFIB Research Center has published a series of Covid-19 related surveys assessing the impact of the health crisis on small business operations, economic conditions, and utilization of targeted small business loan and tax credit programs. This publication marks NFIB's 16th Small Business Covid-19 survey. The first of the series was published in early March with subsequent publications approximately every 2-4 weeks.

The Consolidated Appropriations Act of 2021 (CAA), which was signed into law on December 27, 2020, reopened and modified the targeted federal programs that were established to help the small business sector during the health crisis. The main programs of focus in the CAA are the Paycheck Protection Program (PPP) and the Employee Retention Tax Credit (ERTC). The most recently enacted relief legislation, the American Rescue Plan Act of 2021 (ARPA) was signed into law March 11, 2021, further extended the ERTC through 2021, modified sole proprietor PPP loan amount calculations, and established other financial assistance programs including a specific relief program for the restaurant industry.

One of the many modifications to the PPP contained in the CAA was the much-anticipated simplified PPP loan forgiveness application form. The new 3508S form allows borrowers with loans of \$150,000 or less to use a simplified forgiveness application that does not require the submission of additional documentation. However, loans between \$50,000 to \$150,000 must still calculate and account for any reduction in loan forgiveness, if applicable. Almost three-quarters (72%) of 2020 PPP loan borrowers have applied for loan forgiveness. Another 12% of borrowers are not yet ready to apply for forgiveness and 16% are ready but their lenders are not yet accepting applications. Seventy-three percent of those who have applied for PPP loan forgiveness have received final confirmation of their approved forgiveness amount from the SBA. These numbers have increased significantly since late

January as borrowers and lenders were waiting to use the newest simplified forgiveness loan application.

The CAA also reopened the PPP, allowing small business owners an opportunity for a first-draw loan and a second-draw PPP loan for a more restricted population that could demonstrate quarterly revenue losses. The deadline for applying is currently March 31st, although there is bipartisan support to extend the deadline through the end of May. Of those small business owners who did not receive a first-draw PPP loan in 2020, 20% have applied for a first-draw PPP loan and another 14% are planning to apply or are considering applying. The remaining 66% are not planning to apply for a first-draw PPP. Of those small business owners who received a first-draw PPP loan in 2020, 42% have already applied for a second-draw PPP loan and 2% are planning to apply for one. Another 7% are considering whether to apply for a second-draw PPP loan or not. These numbers generally align with previous surveys that found about half of small business owners anticipated needing additional financial support over the next 12 months.

Seventy-eight percent of those who have applied for a second-draw PPP loan have been approved and 1% denied. Eighteen percent have not yet heard from their lender. Most of those who applied used the same lender as with their first PPP loan.

The 25% reduction in gross receipts eligibility rule was the main factor for about three-fourths of those first loan PPP borrowers in not applying for a second-draw PPP loan. Another 17% were eligible but didn't want to take a second loan.

The Employee Retention Tax Credit was originally established in the CARES Act to provide financial assistance to employer businesses through the reduction of their payroll taxes. The program as originally designed was restricted to those employers who did not take a PPP loan and subject to a mandated shutdown or partial shutdown or had experienced a 50% or more decline in gross receipts. The CAA broadened eligibility and enhanced the benefits of the ERTC, allowing more employers to take advantage of the tax credit. The ARPA extended the ERTC through the end of 2021. Eligible ERTC employers include those subject to a mandated shutdown or partial shutdown or experienced at least a 20% reduction of gross receipts (compared to 50% previously) from the quarter compared to the

corresponding quarter in 2019. Eligible employers can receive a tax credit up to \$7,000 per employee, per quarter for 2021. However, still very few small employers know that the ERTC exists, not surprising in that few were eligible in 2020. Only 7% of small business owners are very familiar with the program and another 35% somewhat familiar, a marginal increase in familiarity since late January. Seventeen percent of small employers have taken or plan to take advantage of the tax credit in 2021. Nearly half (47%) of small employers report that they might take advantage of the tax credit in 2021, presumably after they learn more about the program. The tax credit is a bit complicated to navigate, especially for those employers who are also participating in the PPP. Twenty-eight percent of small employers have talked with a CPA, accountant, or similar professional about taking the credit. The main obstacle appears to be that small employers are not fully aware of the program's immense benefit.

The health crisis severely impacted almost all small businesses at the onset, but the economic recovery has been less uniform since then. Sales levels are 50% or less than they were this time last year (2020) for 22% small businesses with another 21% at sales levels of 51%-75% of pre-crisis. Thirty-five percent are back or nearly back to where they were with sales between 76%-100% of pre-crisis levels with another 20% exceeding pre-crisis sales levels. Economic conditions appear to be generally the same as in recent surveys. The results are similar when asking owners about current sales levels compared to this time in 2019. Sales levels are 50% or less than they were this time in 2019 for 24% small businesses with another 20% at sales levels of 51%-75% of pre-crisis. Thirty-three percent are back or nearly back to where they were with sales between 76%-100% of levels in 2019 with another 23% exceeding sales levels during this time in 2019.

Thirteen percent of small business owners report that they will have to close their doors if current economic conditions do not improve over the next six months, down from 25% in December. Another 15% of owners anticipate they will be able to operate no longer than 7-12 months under current economic conditions. Just under three-fourths (72%) are better situated and do not anticipate any near-term problems.

Consistently throughout the NFIB Covid-19 Small Business surveys, most small business owners do not expect business conditions to improve to normal levels until later in 2021 at the earliest. However, the economic outlook has improved slightly over the last few months, likely due to escalating vaccine rollout. Eleven percent of owners report that conditions are back to normal now, a 6-percentage point improvement from late January. Another 12% of owners anticipate it taking until the first half of 2021 and 34% anticipate sometime in the second half. About one-third (32%) of small business owners are less optimistic and expect conditions not to fully improve until sometime in 2022 and 11% after 2022.

Almost half (44%) small employers have had an employee take Covid-19 related sick or family leave. Of small employers who had an employee take Covid-19 sick or family leave, 81% offered paid leave to all or some of those employees and 42% of them have claimed the tax credit for reimbursement of those costs.

The distribution of the Covid-19 vaccine is in its fourth month with vaccinations reaching more of the population each week. As more of the general population are eligible to get the vaccine, 45% of small employers will encourage their employees to get vaccinated and 2% report that they will require their employees to be vaccinated. Another 5% of small employers are considering encouraging or requiring the vaccination. As the vaccine rollout continues to ramp up, 26% of small business owners have been vaccinated and another 23% plan to get vaccinated as soon as it's available to them. Sixteen percent report that they will also get vaccinated, but not right away. Thirty-five percent report that they will not get vaccinated, lower than the 44% who reported the same in December.

The minimum wage debate has emerged as a central policy debate with efforts to increase the federal level from \$7.25 to \$15.00. Part of the discussion is focused on those employees who receive tips as part of their overall compensation. About 7% of small employer firms have employees who receive tips. About one-third of these firms report that all of their employees receive tips as part of their compensation with another 39% of employers reporting that between 50-99% of their employees receive tips. Half of small employers with tipped employees report that employee tips make up less than one-quarter of their overall salary. About 30% say that tip make up between 25-74% of overall salary and just 9% report that tips generate

75% or more of their employees' salaries. Over half (53%) of those with tipped employees are in the restaurant industry.

Methodology

This survey was conducted with a random sample of 20,000 NFIB members from NFIB's membership database of about 300,000 small business owners. The survey was conducted by email on March 11-16, 2021. NFIB collected 526 responses.

Questionnaire

Paycheck Protection Program

1. Did you receive a Paycheck Protection Program (PPP) loan in 2020?

72% 1. Yes

28% 2. No

2. Have you submitted a PPP loan forgiveness application yet for your 2020 PPP?

72% 1. Yes

12% 2. No, I'm not ready to submit an application yet.

16% 3. No, my bank is not accepting applications yet but I'm ready.

3. If yes, have you received final confirmation on your approved loan forgiveness amount?

73% 1. Yes

27% 2. No

4. If you did not receive a PPP loan in 2020, have you applied or are you planning to apply for a first PPP loan before March 31, 2021?

20% 1. Yes, I already applied

9% 2. Yes, I am planning to apply

5% 3. Maybe

66% 4. No

5. If you received a PPP loan in 2020, have you applied or are you planning to apply for a second PPP before March 31, 2021?

42% 1. Yes, I already applied

2% 2. Yes, I am planning to apply

7% 3. Maybe

49% 4. No

6. If you have applied for a second PPP loan, was it approved, denied, or haven't heard yet?

- 78% 1. Approved
- 3% 2. Approved but for a lesser amount than what I submitted
- 1% 3. Denied
- 18% 4. Haven't heard yet

7. If you have applied or are planning to apply for a second PPP loan, are you using the same lender that you used for your first PPP loan?

- 91% 1. Yes
- 4% 2. No
- 4% 3. I don't know yet

8. If you received a PPP loan in 2020 but not applying for a second PPP loan, is it because you are not eligible for a second PPP loan?

- 76% 1. Yes, because of the 25% reduction in gross receipts rule
- 0% 2. Yes, because I have over 300 employees
- 0% 3. Yes, I didn't use all of my first PPP loan
- 17% 4. No, I was eligible but didn't want a second PPP
- 6% 5. Other reason

Employee Retention Tax Credit

9. How familiar are you with the Employee Retention Tax Credit (ERTC)?

- 7% 1. Very familiar
- 35% 2. Somewhat familiar
- 58% 3. Not at all familiar

10. Have you talked with a CPA, accountant or similar about taking the credit?

- 28% 1. Yes
- 72% 2. No

11. Have you or are you planning to take the ERTC in 2021?

- 17% 1. Yes
- 37% 2. No

47% 3. Maybe

Business Operations

12. How do you process your company's payroll?

33% 1. Full-service payroll provider (e.g., ADP, Intuit, Gusto)

51% 2. In-house

16% 3. Outside accountant/bookkeeper

13. Did you have a net operating loss in 2020?

29% 1. Yes

54% 2. No

17% 3. I don't know.

Covid-19 Employee Sick and Family Leave

14. Have any of your employees taken Covid-19 related sick leave or family leave?

44% 1. Yes

56% 2. No

15. Was it paid leave?

67% 1. Yes

19% 2. No

14% 3. Mix of both paid and unpaid

16. If paid leave, have you claimed the tax credit for reimbursement of those costs?

42% 1. Yes

58% 2. No

17. How familiar are you with the Covid-19 sick and family leave tax credit?

12% 1. Very familiar

35% 2. Somewhat familiar

52% 3. Not at all familiar

Economy

18. How does your current sales volume compare to this time last year (2020)?

- 20% 1. More than 100% of Q1 2020
- 35% 2. 76%-100% of Q1 2020
- 21% 3. 51%-75% of Q1 2020
- 10% 4. 26%-50% of Q1 2020
- 12% 5. 1%-25% of Q1 2020
- 1% 6. My business is currently closed.

19. How does your current sales revenue compare to this time in 2019?

- 23% 1. More than 100% of Q1 2019
- 33% 2. 76%-100% of Q1 2019
- 20% 3. 51%-75% of Q1 2019
- 10% 4. 26%-50% of Q1 2019
- 14% 5. 1%-25% of Q1 2019
- 1% 6. My business is currently closed.

20. How long do you think it will take before your local community is back to a pre-crisis level of economic activity?

- 11% 1. It is now
- 12% 2. First half of 2021
- 34% 3. Second half of 2021
- 32% 4. Sometime in 2022
- 11% 5. 2023 or later

21. How long will you be able operate your business under current economic conditions?

- 1% 1. Less than 1 month
- 3% 2. 1-2 months
- 9% 3. 3-6 months
- 15% 4. 7-12 months
- 72% 5. More than 12 months

22. How does your current number of employees compare to the number of employees you had this time last year?

- 1% 1. Significantly more
- 12% 2. More
- 64% 3. About the same
- 19% 4. Less
- 5% 5. Significantly less

Vaccine

23. Do you plan to get vaccinated for Covid-19?

- 26% 1. Yes, I already have
- 23% 2. Yes, as soon as it's available to me
- 16% 3. Yes, but not right away
- 35% 4. No, I don't plan to get vaccinated

24. Have you or will you encourage or require your employees to get the Covid-19 vaccine?

- 2% 1. Yes, require
- 45% 2. Yes, encourage but not require
- 49% 3. No, neither
- 5% 4. Maybe

Employee Compensation

25. Do any of your employees receive tips as part of their compensation?

- 7% 1. Yes
- 93% 2. No

26. If so, what percent of your workforce receive tips?

- 35% 1. 100%
- 15% 2. 75% - 99%
- 24% 3. 50% - 74%
- 12% 4. 25% - 49%
- 15% 5. 1% - 24%

27. What percent of tipped employees' total compensation is in tips? (rough estimate is fine)

- 0% 1. 100%
- 9% 2. 75% - 99%
- 22% 3. 50% - 74%
- 19% 4. 25% - 49%
- 50% 5. 1% - 24%

Demographics

28. Please classify your major business activity, using one of the categories of examples below.

- 16% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
- 10% 2. Manufacturing and mining
- 3% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
- 6% 4. Wholesale
- 16% 5. Retail
- 5% 6. Restaurant
- 7% 7. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)
- 5% 8. Financial, insurance, real estate
- 13% 9. Services (auto repair, house cleaning, salon, etc.)
- 7% 10. Professional services (attorney, physician, skilled nursing, etc.)
- 13% 11. Other

29. Number of Employees

- 11% 1. No employees
- 14% 2. 1-2 employees
- 24% 3. 3-5 employees
- 17% 4. 6-9 employees
- 16% 5. 10-19 employees
- 13% 6. 20-49 employees
- 4% 7. 50-199 employees
- 0% 8. 200 or more employees