

# NFIB UPDATE

## COVID-19 WEBINAR SERIES FOR SMALL BUSINESS

with Beth Milito and Holly Wade, NFIB



**October 20, 2021**

**Special Guest – Veronica Pugin, SBA, Office of Capital Access**

**Topic – Resources and Relief for Your Small Business: EIDL and ERTC Updates**



# DISCLAIMER

- The materials and information provided in this webinar and on NFIB's website are for informational purposes only and not for the purpose of providing legal or tax advice. You should contact your attorney and/or tax professional to obtain advice with respect to any particular issue or problem.
- This is based on information available by 10/19/21.

# Agenda

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- NFIB Covid-19 Small Business Resources
  - Economic Injury Disaster Loan
  - Employee Retention Credit
  - Q&A
  - Send questions to [info@nfib.org](mailto:info@nfib.org)

## Upcoming Webinars

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**NFIB's *Special Fall Webinar Series***

### **Small Business Reset and Recovery**

**First Wednesdays - 12 PM EST**

**Episode 3 - Why Every Small Business Owner Needs an  
Exit Strategy and How to Create One**

***Presented by Marty Abo, CPA***

**Wednesday, November 3<sup>rd</sup>**

**Episode 4 - Digital Marketing Boot Camp for Small  
Business**

***Presented by Donna Botti***

**Wednesday, December 1<sup>st</sup>**

# COVID-19 Resources

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- Economic Injury Disaster Loan - ***still open!***
  - Employee Retention Credit - ***still open!***
  - Paycheck Protection Program (forgiveness)
  - SBA Updates – [sba.gov/updates](https://www.sba.gov/updates)
  - NFIB Coronavirus Resources (including past webinars)



U.S. Small Business  
Administration

# COVID EIDL Program

## Updates & Overview

# COVID EIDL – Loan Component Benefits

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The loan product offered via the COVID EIDL program is the remaining small business COVID recovery option. It is beneficial to small business owners due to its

- **Generous Terms:** 3.75% interest + 30-year repayment horizon + 2 years deferment
- **Reduced Repayment Burden:** 30 years with 2 years deferment results in relatively smaller monthly payments versus market alternatives (\$10,000 COVID EIDL = monthly repayment of less than \$50 a month)
- **Flexible Use:** Small businesses can use COVID EIDL funds on any normal operating expenses and working capital, including paying business debt
- **Accessible Application:** COVID EIDL is obtained directly through the SBA, requiring no external financial institution for a small business to apply for and obtain funds

# COVID EIDL Policy Changes

The below policy changes are all effective as of September 8, 2021:

	COVID EIDL Policy Change	Impact
1	Increase cap from \$500K to \$2M <b>“Exclusivity Period:”</b> No approval of loans greater than \$500,000 until Oct. 8, 2021	Higher loan amounts available
2	Allow for use of funds to be applied to payment and prepayment of commercial debt and regularly-scheduled payments of federal debt	Increase use of funds flexibility
3	Allow for 24 months of deferment from loan origination for all loans (existing loans with less than 24-month deferment will be adjusted)	SBA automatically defers for 24 months from loan origination
4	Affiliation requirements simplified: An affiliate is a business that you control or in which you have 50% or more ownership	Simplifies affiliation rules for all industries
5	Created additional way to meet program size standards for businesses assigned a NAICS code beginning with 61, 71, 72, 213, 3121, 315, 448, 451, 481, 485, 487, 511, 512, 515, 532, or 812, AND that have no more than 500 employees per physical location AND that have no more than 20 locations AND that meet all other COVID EIDL eligibility requirements	Includes industries uniquely impacted by COVID-19 and continue to experience significant economic hardship
6	Added \$10 million limit on maximum aggregate COVID EIDL loans to a single corporate group. Entities are part of a single corporate group if they are majority owned, directly or indirectly, by a common parent	Introduces maximum cap on corporate groups



# COVID EIDL Changes 1 to 3 - Terms Green = changes

Loan Amount	\$1,000 to \$25,000		>\$25,000 to \$500,000	>\$500,000 to \$2 million
Interest	3.75% (business) 2.75% (non-profit)			
Repayment Period	30 years			
Deferment	Up to 24 months ( <b>for all loans</b> ) – <i>SBA will adjust deferment on loans that did not receive 24 months</i>			
Requirements	Minimum Credit Score: 570 Collateral: None Personal Guarantee: None	Minimum Credit Score: 570 Collateral: >\$25,000 UCC-1 Personal Guarantee: >\$200,000	Minimum Credit Score: <b>625</b> Collateral: <b>UCC-1 and business real estate</b> Personal Guarantee: >\$200,000	
Use	Normal operating expenses <ul style="list-style-type: none"><li>• Payroll</li><li>• Rent</li><li>• Inventory, raw materials, variable costs</li><li>• Commercial Debt (payment and <b>prepayment</b>)</li><li>• Federal Debt (includes Guaranteed and Direct Loan) (<b>regularly scheduled payments</b>)</li></ul> Working capital			

# Application Details

The below timelines assume the applicant responds quickly to the SBA for any information requests and in completing each step of the process.

Scenario	Timeline
COVID EIDL Application for any funds <\$500K	3 Weeks
COVID EIDL Application for any funds >\$500K	6 Weeks
COVID EIDL Application for <\$500K and then an increase for >\$500K Funds	3 Weeks + 6 Weeks = 9 Weeks

## Required Documents

For loan modification applications, it is possible they will not need to submit standard documents again

Standard document requirements

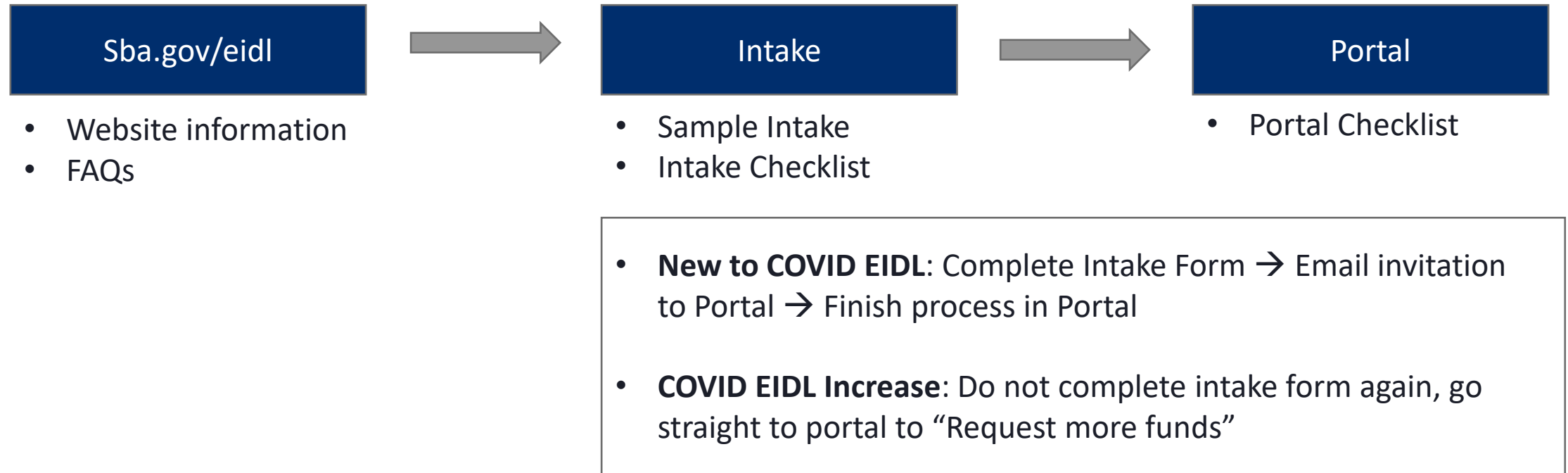
- Federal Income Taxes
- IRS Form 4506-T

Additional Documents for >\$500K

- ODA Form P-022 – Standard Resolution
- SBA Form 2202 – Schedule of Liabilities
- List of Real Estate Owned
- SBA Form 413 – Personal Financial Statement

# Application Resources

Small businesses apply for COVID EIDL directly through the SBA via [sba.gov/eidl](https://sba.gov/eidl) where there will be the below resources for each step of the application process:



Small business owners can apply for any eligible loan size today and do not have to wait until the exclusivity period ends.

# Additional Resources

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- Customer Service Center: 1-800-659-2955 Operation Hours: 8 am to 8 pm ET Monday through Friday.
- Local Resources Partners: [www.sba.gov/assistance](http://www.sba.gov/assistance) or [www.sba.gov/asistencia](http://www.sba.gov/asistencia)
- Website: [www.sba.gov/eidl](http://www.sba.gov/eidl)
- Subscribe to the SBA's e-newsletter: [www.sba.gov/updates](http://www.sba.gov/updates)
- Follow the SBA on Twitter: [@SBAgov](https://twitter.com/SBAgov)

# Employee Retention Tax Credit (ERC or ERTC)

ERC Overview

ERC Eligibility

ERC Qualifying Wages

ERC Coordination with the Paycheck Protection Program (PPP)

Claiming the ERC



# ERC Overview

Refundable Federal Payroll tax credit **up to \$33,000 per employee!**

**2020 → Maximum credit is \$5,000 per employee for the entire year. 50% of qualifying wages with a maximum qualifying wage amount of \$10,000 per employee.**

- $50\% \times 10,000 = \$5,000$  credit per employee

**2021 → Maximum credit is \$7,000 per quarter, per employee – \$28,000 total for the year. 70% of qualifying wages with a maximum qualifying wage amount of \$10,000 per employee.**

- $70\% \times 10,000 = \$7,000$  credit per employee, per quarter.

**Total → Up to \$33,000 per employee!!\***

*\*If your business had over 100 full time employees in 2020, or over 500 in 2021, then you need to be aware that the ERC only applies to employees not working but continuing to get paid.\**



# ERC Eligibility

Any private-sector businesses or tax-exempt organizations with W-2 employees that carries on a trade or business that meets either of the following:

- A business that experienced a ***significant decline in gross receipts*** during any quarter.

OR

- A business that was ***fully or partially suspended*** due to orders from the Federal, or state government limiting commerce, travel, or group meetings due to COVID-19.





# Significant Decline in Revenue, Defined

- A **significant decline in gross receipts** during any quarter:

2020

- Gross receipts declined by at least **50%** of what they were for the same calendar quarter in 2019

2021

- Gross receipts declined by at least **20%** of what they were for the same calendar quarter in 2019

*\*Eligibility continues until first day of the quarter after the quarter that gross receipts rebound to > 80% of gross receipts of same quarter in 2019. **The gross receipts qualifying test is the most business friendly** → If you qualify via a reduction in gross receipts, you will AUTOMATICALLY qualify for the following quarter and every subsequent quarter until gross receipts reach 80% of comparable 2019 quarter levels.*

# Full or Partial Suspension in Operations

- A business that was *fully or partially suspended* due to orders from the Federal, or state government limiting commerce, travel, or group meetings due to COVID-19;
- Occurs if an **appropriate governmental authority** imposes restrictions on the business's operations so that:
  - the business must cease all operations; **or**
  - the business can still continue to operate with some, but not all of its normal operations.
- More than a “Nominal Portion” of its business operations are suspended by a governmental order

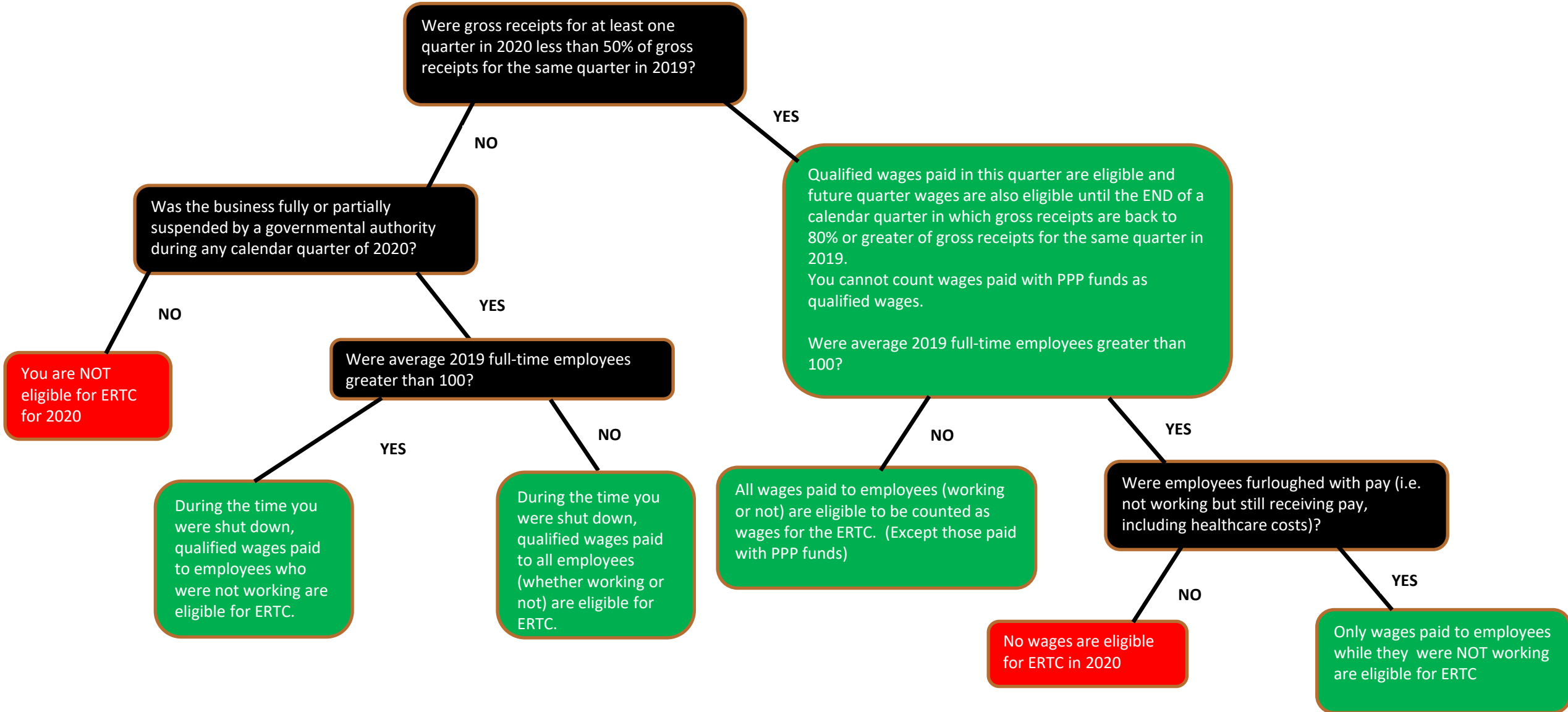
# Order from an Appropriate Government Authority

Orders, proclamations, or decrees from the Federal government, or a State or local government ***limiting commerce, travel, or group meetings due to COVID-19***

Government Orders Include:

- An order from the city's mayor stating that all non-essential businesses must close for a specified period;
- An emergency proclamation that residents of must shelter in place except employees of essential businesses;
- An order imposing a curfew on residents that impacts the operating hours of a trade or business; and
- An order mandating a workplace closure for cleaning and disinfecting.

# 2020 ERTC Eligibility Decision Tree



# 2021 ERTC Eligibility Decision Tree

Were gross receipts for the quarter less than 80% of gross receipts for the same calendar quarter in 2019?  
OR  
Were gross receipts for the immediately preceding quarter less than 80% of gross receipts for the corresponding calendar quarter in the calendar year 2019?

NO

YES

Was the business fully or partially suspended by a governmental authority during any calendar quarter of 2021?

NO

YES

You are NOT eligible for ERTC for 2021

Were average 2019 full-time employees greater than 500?

YES

NO

During the time you were shut down, qualified wages paid to employees who were not working are eligible for ERTC.

During the time you were shut down, qualified wages paid to all employees (whether working or not) are eligible for ERTC.

Qualified wages paid in this quarter are considered eligible, up to \$10k per employee per quarter. You cannot count wages paid with PPP funds as qualified wages.

Were average 2019 full-time employees greater than 500?

NO

YES

All wages paid to employees (working or not) are eligible to be counted as wages for the ERTC. (Except those paid with PPP funds)

Were employees furloughed with pay (i.e. not working but still receiving pay, including healthcare costs)?

NO

YES

No wages are eligible for ERTC in 2021

Only wages paid to employees while they were NOT working are eligible for ERTC

# ERC Qualifying Wages

Qualified Wages, which may include the employee's and the employer's qualified health plan expenses that are properly allocable to the wages.

2020

For qualified wages paid between March 13, 2020 and December 31, 2020 (subject to eligibility for ERC)

*Businesses with 100+ full time employees in 2019 –  
The credit is only available to employees who are  
not providing services*

2021

For qualified wages paid between January 1, 2021 and December 31, 2021 (subject to eligibility for ERC)

*Businesses with 500+ full time employees in 2019,  
the credit is only available to employees who are not  
providing services*



## ERC Qualifying Wages - Examples

**Ted** is paid \$10,000 in qualified wages in Quarter 1 of 2021. As an employer, you would get a credit of \$7,000 ( $\$10,000 \times 70\%$ ).

**Brenda** is paid \$5,000 in qualified wages and also provide her \$1,000 of qualified employee health insurance in Quarter 1 of 2021. Add your qualified wages and employee health insurance together and multiply the total by 70%. Your total credit would equal \$4,200 [ $(\$5,000 + \$1,000) \times 70\%$ ].

# Qualifying Wages - Restrictions

An employer may not use the same wages for claiming the ERC and:

- Families First Coronavirus Response Act (FFCRA) or American Rescue Plan Act of 2021 Leave Credits
- Work Opportunity Tax Credits (WOTC)
- Wages claimed on PPP Loan Forgiveness Applications

[ERC will not be available](#) with respect to wages paid to a majority owner, or such owner's spouse, if the majority owner has a brother or sister (whether by whole or half-blood), ancestor, or lineal descendant.



# PPP and ERC – Maximize Both Programs

Leverage nonpayroll costs with PPP.

Extend PPP covered period to maximize nonpayroll expenses & owner comp (sole proprietors, owners, and related individuals cannot claim ERC credits for their own pay, only employees, so use PPP for those wages).

When calculating gross receipts, you do NOT include other Stimulus funds received like PPP, EIDL grants, etc.

REMINDER (again): You can't claim ERC for wages that were paid with PPP or FFCRA (Covid Sick and Family Leave).

# Claiming the ERC

## Retroactively:

- File a Form 941-X, Adjusted Employer's Quarterly Federal Tax Return

## Currently:

- File a Form 941, Employer's Quarterly Federal Tax Return

## In Advance:

- File a Form 7200, Advance Payment of Employer Credits Due to COVID-19

# ERC Overview

## Step-By-Step Process

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**1. Determine whether you qualify for the ERC in any 2020 or 2021 quarter through the gross receipts reduction test (50% for 2020 and 20% for 2021)**

- a. The gross receipts qualifying test is the most business friendly → If you qualify via a reduction in gross receipts, you will AUTOMATICALLY qualify for the following quarter and every subsequent quarter until gross receipts reach 80% of comparable 2019 quarter levels.

**If not, determine if you qualify based on the suspension of operations test, or alternatives mentioned in the “Do I Qualify?” section.**

**2. Determine qualifying wages in your qualifying quarter/s.**

- a. Exclude wages paid for with PPP funds or FFCRA credits
- b. Exclude employees whose wages do not qualify such as related individuals (question 59)

**3. If your wages paid do not meet the \$10,000 maximum, include allocable qualified health plan expenses.**

**4. Calculate the ERC for each qualifying employee → 50% of qualified wages in 2020 (up to \$5,000) and 70% of qualifying wages in 2021 (up to \$7,000)**

**5. Calculate the ERC amount for all employees.**

**6. Decide how to claim the credit and do so.**

- a. Forms 941-X, 941, or 7200



# ERC Resources

- Jamie Trull ERC Calculator and other ERC resources including the 2020 and 2021 decision trees: [Are you Eligible for the Employee Retention Tax Credit? - jamietrull.com](https://jamietrull.com).
- Visit with Kristi Stone, CPA to schedule a 30-minute session to cover any questions the business owner has about ERC: <https://calendly.com/kristi-m-stone-cpa/personalized-erc-consultation>. She also offers additional services - calculating ERC, documenting qualifications, analysis of ERC and PPP to ensure optimization of both, etc. If they have any questions about her services, they can reach out to her via email as well [Kristina.m.stone@outlook.com](mailto:Kristina.m.stone@outlook.com).
- NFIB has done six webinars on the ERC, which you can find [here](#) and [here](#). The second link is to Matt Evan's CPA webinar, and his slides and spreadsheets are available to help with completing the 941s.
- NFIB ERC tip sheet overview is [here](#).

