

WHAT THE NEW COVID-19 RELIEF BILL

MEANS FOR HAWAII'S RESTAURANTS



Congress has agreed on a **\$900 billion pandemic relief bill** that includes several items that will benefit restaurants:

PAYCHECK PROTECTION PROGRAM

The bill allows restaurants to access a second draw from PPP at 3.5x monthly payroll (vs 2.5x for other sectors); it also enacts a per-location 300 employee cap vs. a 300 all-location cap for other industries. *Program ends 3/31/2021.*

TAX DEDUCTIBILITY

Businesses can deduct allowable business expenses paid with PPP loans, including payroll, rent, mortgage interest, utilities and other allowable expenses. This applies to either a first draw or a second draw PPP loan.

EMPLOYEE RETENTION TAX CREDITS (ERTC)

ERTC will be available for the first two quarters of 2021 and will allow certain employers* to take up to \$7,000 per eligible employee retained during these two quarters. Employers who received a PPP loan may still qualify for ERTC on wages that are not paid for with forgiven PPP funds. ** Employers with up to 500 employees and at least a 20% revenue loss in gross receipts when compared with the same quarter in the prior year.*

WORK OPPORTUNITY TAX CREDIT (WOTC)

WOTC is extended by five years, granting support for restaurants that hire, train, and retain employees from target groups.

EXPANDED THE BUSINESS MEAL DEDUCTION

Business meals provided by a restaurant are now 100% deductible for 2021 and 2022.

TEMPORARY ENHANCEMENTS TO SBA (NON-PPP) LENDING PROGRAMS

- Increases 7(a) loan guarantee to 90% with no fees
- No fees for 504 loans
- Extends CARES Act principal and interest waiver for new and existing 7(a), 504, and micro-loans
- For loans taken prior to the CARES Act, allows three additional months of principal and interest paid by the government; restaurants authorized to take an additional five months beyond the three.

RELIEF FOR RESTAURANTS

PPP second draw –
100% forgivable loan



Restaurants can access **3.5x payroll** – other businesses remain at 2.5x



Greater **flexibility in accepted uses** of PPP loans – including inventory costs



Expanded Employee Retention Tax Credits (ERTC)



Long-term **extension of Work Opportunity Tax Credit (WOTC)**



Business **meal deduction expanded** to 100% for next two years



Enhancements to other **critical SBA lending** programs

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| Issue | Key Details | Has this changed from First Round PPP? |
|--|--|--|
| Loan Amount | <p>Loan amount equals 3.5 times the monthly payroll for businesses under NAICS 72*. For others, loan amounts are 2.5 times its average monthly payroll. A business selects its monthly payroll as an average of either:</p> <ol style="list-style-type: none"> 1. monthly payroll for 2019 or 2020, or 2. the monthly payroll for the 12-month period before the origination of the second PPP loan. | <p>Yes, for eligible restaurants, the second draw is for a larger amount than the original PPP loan amount. The two options for average payroll reflect the hiring/rehiring challenges of COVID-19.</p> |
| Maximum Amount | \$2 million | <p>Yes, this reduces the maximum loan for an eligible business from \$10 million to \$2 million.</p> |
| Eligibility - Revenue Loss Threshold | <p>Businesses must demonstrate a 25% revenue loss in gross receipts for any calendar quarter of 2020 when compared with the same quarter in 2019. This threshold was originally proposed at 50%.</p> | <p>Yes, this eligibility threshold was not in the original PPP.</p> |
| Eligibility Size - Number of Employees | <p>Businesses with 300 or fewer employees are eligible.</p> | <p>Yes, the 300 employee limit is a change from the original employer size limit of 500 employees.</p> |
| Eligibility Size - Per Location | <p>Restaurant and lodging businesses secured an explicit carve out, allowing them to satisfy this requirement if they have 300 or fewer employees per location (vs. collectively for other industries).</p> | <p>This explicitly preserves the original PPP's intent, but adjusts the figure to 300 employees rather than 500 employees.</p> |
| Eligibility Size - Waiver of Affiliation Restrictions | <p>Restaurant and lodging businesses are not subject to SBA Affiliation Rules that may limit a franchisee's ability to access a loan. This waiver permits otherwise eligible NAICS 72 companies, who are affiliated with a common franchisor company, to access a second PPP loan.</p> | <p>This provision, explicitly included in this legislation, provides the same waiver as in the previous PPP round.</p> |

* NAICS 72 stands for the "Accommodation and Food Services" sector, classified under North American Industry Classification System Sector 72. Reference the U.S. Census Bureau for specific types of entities.

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| Issue | Key Details | Has this changed from First Round PPP? |
|---|---|--|
| Forgiveness | PPP second draw loans are forgivable when spent on eligible expenses (60% payroll, 40% non-payroll) during a specific timeframe. | No |
| Forgiveness Structure | Funds must be spent within either 8 weeks or 24 weeks of loan origination, the choice of the borrower, per the Paycheck Protection Program Flexibility Act. As noted, 60% of expenses must be spent on payroll costs (paychecks and group insurance, or retirement benefits) to maximize forgiveness. | No |
| New Forgivable Non-Payroll Expenses | Eligible protective personal equipment (PPE), cleaning products and services, reconfiguration of spaces to enable social distancing, and supplier costs (such as perishable goods) can be forgiven non-payroll expenses. | Yes , these are newly eligible PPP expenditures. |
| Tax Treatment | For round one and two PPP loans, businesses using PPP funds for allowable business expenses can deduct these expenditures from their taxes. | Yes , this permits PPP borrowers to retain up to 37% of their loan funds by restoring deductibility, which was previously denied by the Department of Treasury. |
| Streamlined Forgiveness | For borrowers of \$150,000 or less, a simplified two-page process will be available to streamline loan forgiveness. | Yes , this is an improved process previously unavailable. |
| EIDL Advance Deducted from PPP Forgiven Amount | Repeals the provision that required PPP borrowers to deduct their economic injury disaster loan (EIDL) advance grant from their PPP loan forgiveness amount. | Yes , this was achieved through a correction of the CARES Act. |



Additional Resources

National Restaurant Association COVID-19 Resources:
www.restaurant.org/covid19

Hawaii State COVID-19 Information:
www.hawaiicovid19.com

Restaurants Act (NRA grassroots action):
www.restaurantsact.com

Federal CDC Resources:
www.cdc.gov