The bipartisan COVID-19 relief stimulus package passed by Congress on Dec. 21 includes $284 billion for the Paycheck Protection Program and $13 billion for farmers and agriculture, along with new tax benefits for businesses. For floral industry business owners, the new measure means an opportunity to apply for a first (or second) PPP loan with expanded forgiveness eligibility and a simplified loan application. For growers, the new stimulus package provides a potential third round of USDA aid.

SAF's government relations team pored over the 5000-plus page legislation to extract the key provisions of the PPP funding, so that you can start thinking about whether you might be able to take advantage of it:

Paycheck Protection Program (PPP)
The CARES Act, passed by in March, allocated $659 billion in forgivable loans for small businesses and required businesses to use 75 percent on payroll to be eligible for forgiveness. H.R. 133, which passed Congress yesterday, provides for a second round of PPP with over $284 billion in new funding for both first-time borrowers and those who received a loan under the first round of PPP. However, some modifications have been made to the eligibility requirements.

Modi ications to Eligibility
Applicant businesses must have **300 or fewer employees**, have used or **will use the full amount of their first loan** (if applicable), and be able to **show a 25 percent drop in gross revenue** in any quarter in 2020 compared to the same period in 2019. Businesses with 500 or fewer employees that are eligible for other Small Business Administration (SBA) 7(a) loans are all eligible first-time borrowers; e.g., sole proprietors, independent contractors, and eligible self-employed individuals; not-for-profits, including churches; and accommodation and food service operators with fewer than 300 employees per physical location.

The maximum loan amount for most business owners can still be calculated by multiplying average monthly payroll by 2.5 – but the **new program caps loans at $2 million** as opposed to $10 million under the CARES Act. For borrowers who received a PPP loan within the last 90 days, the bill requires that **the aggregate of the new and old loan will not exceed $10 million.**

Borrowers are now able to choose a **covered period that can be as short as eight weeks and as long as 24 weeks** immediately after the second loan is received, during which the borrower is required to **spend 60 percent of the funds on payroll and 40 percent on other qualified expenses.** This period thus ends on any day selected by the borrower, but no earlier than eight weeks from the date the loan proceeds are received and no later than 24 weeks after such date of origination. This change will **enable borrowers to cut off the testing period before having a reduction in workforce** that would cause the applicable reduction in workforce penalties to apply, as long as the workforce is at its pre-February 15 levels on the last day of the Covered Period. The one percent interest incurred on PPP loans will not be compounded and will not adjust if interest rates increase in the future.

Importantly, **expenses paid with funds from a PPP loan are tax deductible**, and the **loan amount isn't included in gross income**, despite concerns expressed by the Trump Administration that granting businesses such reductions would result in "double dipping." The bill also **repeals the requirement that PPP borrowers deduct the amount of any EIDL advance** from their PPP forgiveness amount.

Expanded Forgiveness Eligibility
All of the original covered expenses, including payroll, interest on covered mortgage obligations, rent, and utilities are still eligible for forgiveness. But the new program makes **several additional types of expenses eligible for forgiveness** compared to the program authorized by the CARES Act, including:

- Covered operations expenditures: payments for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing of payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records, and expenses.
- Covered property damage costs: costs related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that were not covered by insurance or other compensation.
- Covered supplier costs: expenditures made to a supplier that were a) essential to the operations of the entity at the time the expenditures were made and b) made pursuant to a contract or purchase order in effect any time before the covered period or, for perishable goods, any time during the covered period.
- Covered worker protection expenditures: operating or capital expenditure made to comply with COVID-related requirements established the Department of Health and Human Services, the Centers for Disease Control the Occupational Safety and Health Administration or by state and local governments.

Simplified Loan Application
Applications for loans under $150,000 are dramatically simplified. Previously, the SBA and the Treasury issued a two-page forgiveness form meant to simplify the process for borrowers with loans of up to $50,000. The application won't be more than one page, and no business will be required to submit any additional records. Under the new rules, businesses need to sign and submit to the lender a certification that provides:

- The number of employees the eligible recipient was able to retain because of the covered loan.
- The amount of the loan that you spent on eligible payroll costs.
- An attestation that information was provided accurately, complied with the applicable requirements, and that the business plans to retain records for the required period (four years for employment records and three years for other records).

The bill also earmarks a portion of the PPP funding for both fi**rst- and second-time borrowers with 10 or fewer employees** and loans of less than $250,000 in low-income areas.

Employee Tax Credit
H.R. 133 **renews employee tax credits**. The new bill allows the Employee Retention Tax Credit to be used in conjunction with PPP, as long as it's used for wages not paid with PPP funds. The credit is **increased to 70 percent of qualified wages** up to $10,000 each quarter, up from 50 percent of qualified wages up to $10,000 in total. Businesses that were wholly or partially shut down by government orders due to COVID-19 (such as stay-at-home directives or non-essential business designations) are also eligible. This provision is effective for expenses incurred after Dec. 31, 2020 and expires at the end of 2022.

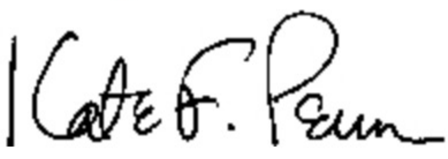
Economic Injury Disaster Loans (EIDLs)
The new bill allocates **$20 billion for a new round of EIDL loan advances**. These lifelines will go first to the people and businesses who need them the most, probably based upon $1,000 per employee and not exceeding $10,000 per borrower. To qualify for the full $10,000 grant, businesses must a) be located in a low-income community, b) have suffered an economic loss greater than 30 percent, and c) employ less than 300 employees. Under the CARES Act, $10,000 of EIDL loans were docked from PPP loans. This stipulation was repealed under the new bill. Like PPP loans, **EIDL advances are now tax free**, and expenses are tax deductible.

Coronavirus Food Assistance Program (CFAP)
The package provides just over $11 billion for a new round of CFAP and Wildfire and Hurricane Indemnity Program (WHIP) Plus payments. CFAP is the same program through which, thanks to a robust advocacy effort led by SAF, eligible nursery crop and cut flower farms this past summer and fall were able to access two different rounds of financial aid, this summer and fall. For this new round of funding, we do not know how implementation for specialty crops would be implemented – we'll be watching this closely and will keep growers informed as we find out more.

Agriculture Appropriation
Finally, an additional $500,000 was included for USDA-NASS to continue and fully fund the yearly floral crops report. This is the second year in a row that SAF successfully advocated for increases in NASS funding. The Floriculture and Nursery Research Initiative (FNRI) will maintain its FY2020 funding level in FY2021, despite Administration efforts to cut more than $3 million from the program.

Stay tuned to SAF emails for additional updates, or, if you have a specific question about the aid, go to SAFnow.org and someone on our team can help you via LiveChat.

Sincerely,



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