

# PHASE 3 CORONAVIRUS BILL

IFA worked diligently for our members to ensure that franchise small businesses were represented and provided relief from Congress in Phase 3 of the coronavirus relief bill. Below are the items in the bill that are beneficial for franchising, and some items that still need work.



- **Paycheck Protection Loans:** Small businesses, including franchises, can apply for a new 7(a) loan program that is 100% guaranteed and waives collateral requirements, which will speed up processing by lenders. Loans may be forgiven if the borrower maintains the average number of full-time equivalent employees.
- **Employee Retention Tax Credit:** If the Paycheck Protection loan is not attractive, you may be eligible for a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19 related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.
- **Economic Injury Disaster Loans:** This provision expanded eligibility for access to SBA's Economic Injury Disaster Loans (EIDLs). The SBA will waive any personal guarantee on advances and loans below \$200,000 on these loans made in response to COVID-19 before December 31, 2020.
- **Advanced Tax Credits for Paid Leave:** The bill allows employers to receive an advance tax credit for Required Paid Sick Leave (under the Families First Coronavirus Response Act) from Treasury instead of having to be reimbursed on the back end.
- **Delay of Payment of Employer Payroll Taxes:** The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees.
- **Qualified Improvement Property:** The provision enables businesses to write off immediately costs associated with improving facilities instead of having to depreciate those improvements over the 39-year life of the building. The provision, which corrects an error in the Tax Cuts and Jobs Act, not only increases companies' access to cash flow by allowing them to amend a prior year return, but also incentivizes them to continue to invest in improvements as the country recovers from the COVID-19 emergency.
- **Net Operating Loss Modifications:** The provision relaxes the limitations on a company's use of losses. Net operating losses (NOL) are currently subject to a taxable-income limitation, and they cannot be carried back to reduce income in a prior tax year. The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income. These changes will allow companies to utilize losses and amend prior year returns, which will provide critical cash flow and liquidity during the COVID-19 emergency.
- **Retirement Accounts:** Individuals may take penalty-free distributions up to \$100,000 from qualified retirement accounts for coronavirus-related relief. Additionally, income attributable to such distributions would be subject to tax over three years, and the taxpayer may recontribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions. Existing SBA borrowers in 7a, 504 or other programs may delay loan payments for six months to provide relief to small businesses negatively impacted by COVID-19.
- **Treasury Fund for Larger Businesses:** The bill authorizes \$454 billion for loans, loan guarantees and investments in support of facilities established by the Federal Reserve to support lending to eligible businesses, states, or municipalities. Via the Federal Reserve, the \$454 billion could be leveraged significantly, potentially providing up to \$4 trillion in financial support. The bill defines "United States businesses" as businesses "that are created or organized in the United States or under the laws of the United States and that have significant operations in and a majority of its employees based in the United States."



- **Expanded Unemployment Insurance:** An employee who is let go may now earn an extra \$600 per week (\$15/hr), in addition to state unemployment benefits which vary by state. This additional income has small businesses concerned it may be more difficult to bring back some employees after the virus passes, as well as maintain their workforce at the same level to qualify for Paycheck Protection Loans.
- **Loan Size:** IFA advocated for increasing the maximum loan size in the Small Business Payroll Protection Loan program to 4x monthly operating expenses from 2.5x payroll expenses. Unfortunately, due cost constraints of the overall bill, the increase was not included.