



IOPFDA COVID-19 Legislative Update – Week 7

The Impacts of COVID-19 and What's Happening Behind the Scenes in Washington



Update on Small Business Administration PPP Loans

- Round 2 – \$320 billion
- As of May 13, 2020: \$192.6 billion processed by SBA
- 5,428 lenders
- Average loan size: \$71,679 compared to \$239,000 in round 1 (even though 70% were less than \$150,000)
- \$411 million returned
- Treasury will audit all loans over \$2 million
- DoJ prosecuting cheaters
- Pace of applications being submitted has slowed for several reasons
 - Uncertainty of forgiveness
 - Need
 - Banks

Update of Small Business Administration EIDL Loans

- Round 2: \$10 billion
- \$25,000 maximum unsecured loan amount
- \$2 million max loan versus \$10 million under Round 1
- Small businesses not seeing this as an attractive program

Democrats set to vote on Phase 5 stimulus – PPP Focus

- \$3 trillion package
 - Will pass the House
 - DOA in the Senate
- Extends the timeframe to use PPP loans from June 30 to December 31, 2020
- Establishes a minimum maturity on PPP loans for 5-years to enable borrowers to amortize loans over a longer period of time, which lowers monthly payments.
- Eliminates the 75/25 rule on the use of loan proceeds





IRS Ruling on PPP loans

- IRS recently ruled that if you received a PPP loan, you could not turn around and deduct these same expenses on your taxes.
- Congress has stepped in and looking to rectify this. Sen. Grassley (R-IA), Chairman of the Senate Finance Committee and Sen. Ron Wyden (D-OR), Ranking Member of the Senate Finance Committee argue this was not the intent of Congress and working on a legislative fix.

States Look to Tax PPP Loans as Income

- There are some states considering taxing PPP loans as income.
- Another issue being looked at by Congress.

Liability Issue

- Employers concerned that once employees are allowed to go back to work or frequent businesses that they are open to frivolous lawsuits claiming people contracted COVID-19 from them.
- Senate Majority Leader McConnell has made it clear that any future stimulus must include business liability protections.



Small Business Jump-Start America Act



- Plan drafted by NOPA after hearing from Congress that no one had any new practical ideas on how to move the economy forward.

PLAN DETAILS

- Letter to Congress, which we hope you will sign onto covers 130,000 Businesses employing 5 million employees.
- The goal of this Act is to build on the PPP loan and Main Street Lending programs. This Act would identify the immediate essential industries that are needed to jump start the economy July 1, 2020. These businesses would be small businesses and be essential to manufacturing, key product resellers, key services like ground, air, marine transportation, which are critical to moving people and jump starting our supply chains.
- This would not be run through the Small Business Administration. Instead, we suggest this be run through the Federal Reserve, like the Main Street Lending Program. This could be added under that program, just as the PPP loan program was added to the current SBA 7(a) loan program.
 - Create a small business loan program that funds up to 80% of small business costs. Under this program we want businesses to decide how to spend the loan. Since this is money that must be repaid, we should not restrict businesses on how they use these loans. Each business is run differently and may call for different uses of the money.
 - \$500 billion. (This number could be higher or lower depending on the need. Ultimately, the actual bottom line number doesn't matter because these are loans that are not forgiven. They would just be backed by the federal government, like the PPP loans.)

Small Business Jump-Start America Act



Businesses would need to meet the following criteria:

- Be a small business is defined as a business with no more than 1,500 employees and an annual revenue of no more than \$40 million.
- Be a U.S. based and owned company.
- Program would begin July 1, 2020 and run through December 31, 2021.
- Be in business for 7-years prior to COVID-19 outbreak.
- Be profitable for past 3-years.
- Be critical to restarting the economy: not a first come first serve. This would be balanced out among the core industries for companies then to apply for. The small businesses that would be eligible to apply would fall into the following categories:
 - Manufacturing
 - Resellers
 - Critical ground, air, marine transportation companies, Non-Emergency Medical Transportation providers
 - Healthcare
 - Financial services
 - Defense Industrial Base
 - Chemical Products
 - Hygiene products
 - Construction
- Max of \$10 million.
- Loan would start to be repaid after 3-years
- Repayment period is 7.5-years
- Loan rate 2.75 – this is the rate under current SBA EIDL loans for non-profits. Loan rate cannot go higher than 3.75%, which is current rate of EIDL loans.





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