

Relief Efforts for Restaurants

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Agenda

- 01. State of Play
- 02. Restaurant Revitalization Fund
- 03. Second Draw of PPP
- 04. ERTC
- 05. State and Local Relief Efforts





State of Play



Restaurant Revitalization Fund (RRF)

Step by Step

Step 1

**Introduce a
Bipartisan, Unified
Bill in Congress**

Step 2

**Establish the
Restaurant
Revitalization Fund
(RRF) with \$25B**

- ✓ Pass Congress
- ✓ Administrative Rules
- ✓ Implementation

Step 3

**Pursue More
Appropriations
When Needed**

Industry-Specific RRF Realizes Year-Long Mission

Since March 2020, Association and SRAs Have Called for Direct Federal Relief

- The *American Rescue Plan Act* establishes a \$25 billion “Restaurant Revitalization Fund” (RRF) within the U.S. Small Business Administration (SBA).
- A restaurant may receive a grant equal to the amount of its ***Pandemic-Related Revenue Loss*** by subtracting its 2020 gross receipts from its 2019 gross receipts.
 - If not in operation for the entirety of 2019, the total would be the difference between 12 times the average monthly gross receipts for 2019 and average monthly gross receipts in 2020.
 - If not in operation until 2020, the entity can receive a grant equal to the amount of “eligible expenses” incurred by the entity minus any gross receipts received.
 - If not yet in operation as of application date, but the entity has incurred “eligible expenses,” the grant amount would be made to the entity equal to those expenses.

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Pandemic-Related Revenue Losses Targeted

Grant Equals Gross Receipts Difference from 2019 to 2020 (Deduct PPP, Not EIDL)

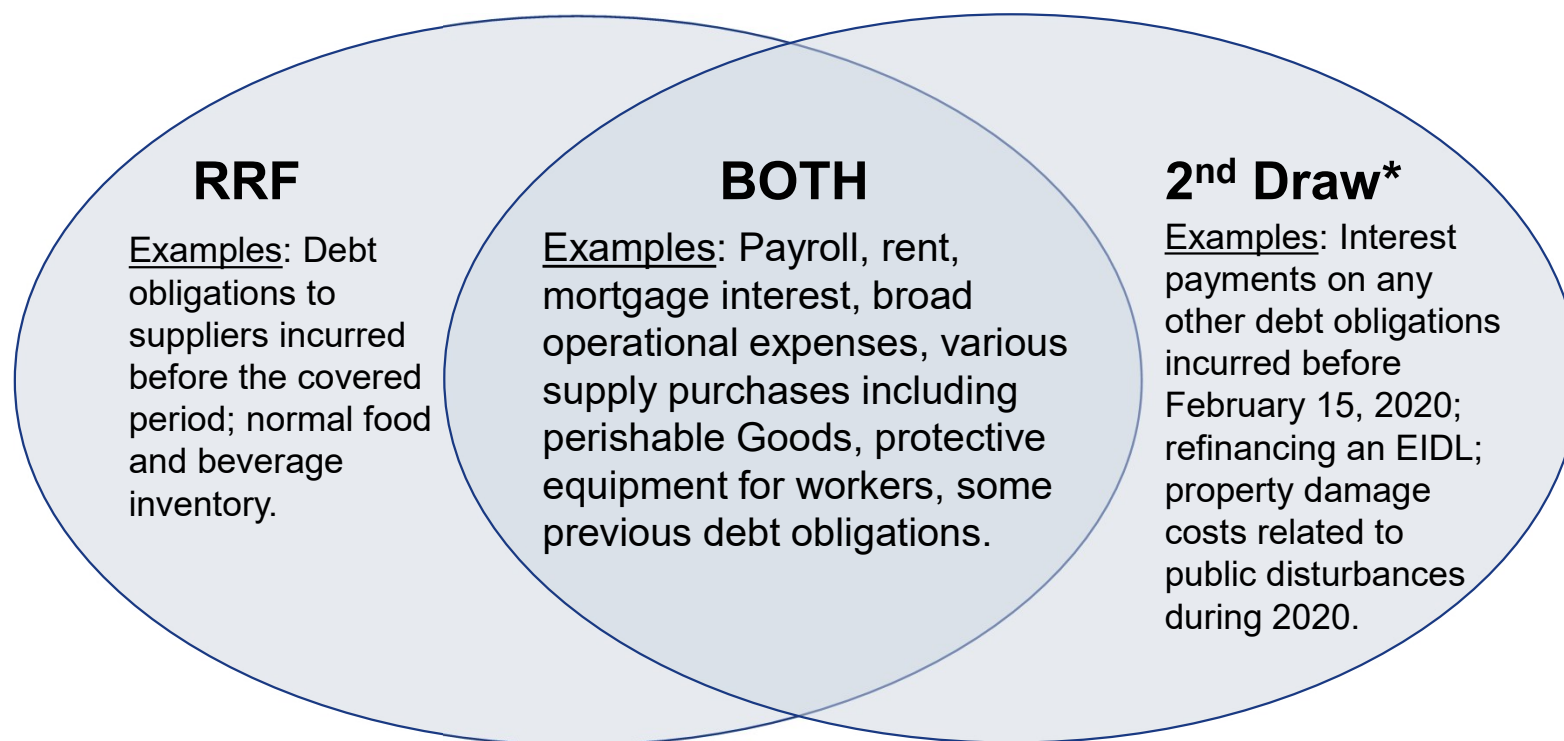
Example: *Frazier's Flapjacks* (FF) earned \$1.2M in 2019 with a \$400K annual payroll. FF received \$83,333 for PPP1 & \$116,667 for PPP2, receiving **\$200,000** in PPP loans.

| | | |
|--|-------------------------------|--|
| Scenario in 2020: Down 50% and lost \$600,000 | $600,000 - 200,000 = 400,000$ | FF is eligible for a <u>\$400,000</u> RRF grant |
| Scenario in 2020: Down 40% and lost \$480,000 | $480,000 - 200,000 = 280,000$ | FF is eligible for a <u>\$280,000</u> RRF grant |
| Scenario in 2020: Down 30% and lost \$360,000 | $360,000 - 200,000 = 160,000$ | FF is eligible for a <u>\$160,000</u> RRF grant |
| Scenario in 2020: Down 20% and lost \$240,000 | $240,000 - 200,000 = 40,000$ | FF is eligible for a <u>\$40,000</u> RRF grant |
| Scenario in 2020: Down 15% and lost \$180,000 | $180,000 - 200,000 = -20,000$ | FF is not eligible for a RRF grant |

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Strings Attached to Dollars May Feel Familiar

RRF Eligible Expenses Are Similar to Second Draw PPP with Regulations to Come



*Second Draw PPP expenses refer to *forgivable* expenses under SBA regulations. These expenses must adhere to a 60/40 payroll-to-nonpayroll expense formula during the covered period in order to be eligible for loan forgiveness. RRF regulations on expenses may be developed.

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Hoping for a Lightning Fast RRF Timeline

Curb Your Expectations for RRF Grant Distribution in April or May 2021

**RRF Signed
into Law by
White House**
March 2021

**SBA
Releases
Rules and
Applications**
April/May 2021

**21-Day Priority
for Women,
Veterans,
Disadvantaged**
May/June 2021

**RRF Open for
All Eligible
Restaurants**
May/June 2021

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What to Expect While You're Anticipating

The RRF Playbook May Not Be PPP – It's the Shuttered Venues Operator Grant

| <i>Shuttered Venues Operator (SVO) program is for theaters, venues, and other businesses, with grants equal to 45% of their 2019 gross earned revenue with a \$10 million maximum</i> | | |
|---|---|---|
| ISSUE | SVO | RRF |
| Federal Agency | SBA | SBA |
| Funding | \$16 Billion | \$25 Billion |
| Formation | Became Law on Dec. 27, 2020 | In Congress |
| Dollars Received by Eligible Businesses by March 4, 2021 | \$0 | N/A |
| Application Process | Not Open Yet | N/A |
| How Do Entities Prepare? | Register for a "DUNS number" and register in the System for Award Management (SAM.gov). Gather documents to show the extent of gross earned revenue loss experienced between 2019 and 2020. | N/A, but there is a Shuttered Venues Operator FAQ available at www.sba.gov/svogrant . |

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Second Draw of PPP

PPP Has Been a Record Government Program




\$522 Billion to Small Businesses in 2020 & \$284.5 Billion for Second Draw in 2021



**Restaurants, Hotels
Received \$42.5B in
PPP in 2020**

**Restaurants,
Hotels *Receiving*
\$28.1B in PPP in
2021 (as of 2/28/2021)**

The Reviews Are In...




| CHEERS | SECOND DRAW PPP |
|---|---|
|  | 3.5x Multiplier Increasing a Restaurant's Forgivable Loan Size |
|  | #1 Industry in Total Funds Received: \$128,000 Average Loan |
|  | More Forgivable Expenses, Tax Deductibility, and Flexibility |



New Eligibility Standards

Restaurants have to demonstrate 25% or more in revenue losses across a calendar quarter in 2020, when compared to 2019, to be eligible. All lending began by January 19, 2021.

The Reviews Are In...

| JEERS | SECOND DRAW PPP |
|---|--|
|  | “Unresolved Borrower” Holds Are Delaying Second Draw Access |
|  | Distinctly Eligible Restaurants Unable to Apply Apart from Parent |
|  | Loan Caps Do Not Adjust for 3.5x Multiplier, Creating a PPP Gap |



SBA in Transition

Restaurants have submitted three comment letters in the last five weeks and are regularly working with SBA staff – this process is ongoing.

For a Limited Time Only... PPP Expires March 31

\$143.8 Billion Still Remain Available for Second Draw PPP Loans

| MARCH 2021 | | | | | | |
|------------------------|-----|-----|-------------------------|-----|-----|---------------------|
| SUN | MON | TUE | WED | THU | FRI | SAT |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 14 Daylight Savings | 15 | 16 | 17 St. Patrick's Day | 18 | 19 | 20 Spring Begins |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | 31 | | | |

- After six weeks of lending, the **Second Draw PPP** has released about **50%** of its funds (through 2/28).
- The remaining period (3/1-3/31) may see changes through **Resolved Borrowers**, new regulations, or other ideas to rollover funds.



Employee Retention Tax Credit

Major Tax Credit Enhancement Now Available

Up to \$14,000 Per Employee Available for the First Half of 2021

| Changes | Prior Law: 3/13/20 to 12/31/20 | New Law: 3/13/20 to 12/31/20 | New Law: 1/1/21 to 6/30/21 |
|--|---|--|-----------------------------|
| PPP Loan Interaction | No ERTC if employer accessed a PPP loan | Employers that used a PPP loan can now claim ERTC as long as credits are not taken on PPP payroll expenses | |
| Maximum creditable wages per employee* | \$10,000 per year | \$10,000 per year | \$10,000 per quarter |
| Maximum credit | Up to \$5,000 per employee | Up to \$5,000 per employee | Up to \$14,000 per employee |
| Threshold to be a “large employer” (based on average full-time employees in 2019, and considering aggregation rules) | More than 100 | More than 100 | More than 500 |



But How Is My Restaurant Eligible for ERTC?

Two Tests to Determine if an Eligible Employer Can Claim the ERTC for the Quarter

1. Order from a Government Authority

- Fully or partially suspends the business, such as a capacity restriction on indoor dining.
- Enforces social distancing guidelines that have a “nominal effect” on business operations.

2. Significant Decline in Gross Receipts

- For 2020, greater than 50% decline when compared to a calendar quarter in 2019.
- For 2021, a greater than 20% decline when compared to prior quarters in 2020 or 2019.

Key Questions Remain on Wages, Aggregation

Restaurants Are Eagerly Awaiting IRS Guidance on ERTC

How to Claim the ERTC:

Reduce all
employment tax
deposits for
credits in the
quarter

Form 7200
for excess
credits

Form 941
refund

Need More Details On:

- Eligible wages and tips
- How to calculate full-time employees and aggregation rules
- **RRF and PPP payroll expense coordination**
- Any other surprises



State & Local Relief Efforts

State and Local Recovery



Vaccine rollout



Third-party delivery
protections



Re-Opening
Guidance



Blueprint for State/Local
Recovery

- Tax and regulatory relief
- Fee reduction (2020 and 2021)
- Grants and tax credits
- Expanding and making permanent cocktails to go
- Expanding outdoor dining
- Ensuring PPP deductibility at state level
- Easing curbside to-go regulations

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