

Monday, January 4, 2021

To: New York Community Banks

Last Wednesday, December 30, IBANYS joined a number of New York community banks and other interested parties on a conference call coordinated by Rep. Tom Reed (R-23rd Congressional District) to update details related to the nearly \$900-billion COVID-19 relief/economic stimulus legislation that was approved by Congress and subsequently signed into law by the President.

Rep. Reed, a strong supporter of community banking, co-chairs the bi-partisan Congressional Problem Solvers Caucus, which played an important role working toward a bi-cameral agreement and seeking White House agreement as well.

We have provided below a summary of the call prepared by Rep. Reed's office giving details on the call and programs, including their direct impact on New York State.

If you have questions, please call John Witkowski at Johnw@ibanys.net, (716) 880-0518.

SUMMARY PROVIDED BY REP. REED'S OFFICE

Below is a summary of information from our call last week. We are still waiting on a few final rollout details; however, if you have questions that are not addressed in the materials below, please let me know.

Payroll Protection Program

Program extended through March 31.

- Clarifies that businesses expenses paid for with forgiven PPP funds remain deductible.
- Loan forgiveness process is simplified for borrowers with PPP loans of \$150,000 or less.
- Forgivable expenses are expanded to include supplier costs and investments in facility modifications and personal protective equipment to operate safely.
- Enhances borrower flexibility by allowing borrowers to select their loan forgiveness covered period between 8 weeks and 24 weeks.
- Allows forgiveness for PPP loans and EIDL emergency advance grants, preventing small business owners being left with unexpected PPP loan balances.
- **Second round of PPP** for businesses with 300 or fewer employees and a 25% revenue loss.
 - Maximum loan of 2.5X average monthly payroll up to \$2 million.
 - Accommodations and Food Services ([NAICS codes beginning with 72](#)) may receive a loan up to 3.5X average monthly payroll.
- Set asides
 - \$15 billion for PPP loans (initial and second draw) issued by community financial institutions, including community development financial institutions (CDFIs) and minority depository intuitions (MDIs);
 - \$15 billion for PPP loans (initial and second draw) issued by certain small depository institutions.
 - \$35 billion for first-time borrowers, \$15 billion of which is for borrowers with 10 or fewer employees, or loans less than \$250,000 in low-income areas;
 - \$25 billion for second draw PPP loans for borrowers with 10 or fewer employees, or loans less than \$250,000 in low-income areas.

Economic Injury Disaster Loans: Additional \$20 billion for the SBA's EIDL advance program

Grants for Shuttered Venue Operators

The program will be administered by the [Small Business Administration](#). Once the necessary infrastructure is in place, the SBA will make grants to;

- live venue operators or promoters,

- theatrical producers,
- live performing arts organization operators,
- museum operators,
- motion picture theatre operators, or
- talent representatives

To be eligible, the entity must have been fully operational on February 29, 2020, and must demonstrate a 25% reduction in gross revenue. During the initial 14-day period of implementation of the program, grants shall only be awarded to eligible entities that have faced 90% or greater revenue loss. In the next 14-day period, grants shall only be awarded to eligible entities that have faced 70% or greater revenue loss. After these two periods, grants shall be awarded to all other eligible entities.

The SBA may make an initial grant of 45% of the entity's gross earned revenue during 2019. Entities may be eligible for a supplemental grant that is equal to 50% of the initial grant, with an overall cap on both grants combined of \$10 million.

The grant money must be spent on specific expenses:

- payroll costs,
- rent,
- utilities,
- mortgage,
- debt payments,
- worker protection expenses,
- payments made to independent contractors, and
- other ordinary and necessary business expenses (such as maintenance expenses)

Employee Retention Tax Credit extended through June 30, 2021

- Refundable and advanceable payroll tax credit to cover a portion of wages paid to employees to qualify a business must have faced a full or partial suspension of business due to a COVID-19 government order or suffered a significant decline in gross receipts
- The credit rate has been increased from 50% to 70% of qualified wages, and the limit on per-employee creditable wages is increased from \$10,000 per year to \$10,000 per quarter.
- Definition of "significant decline in gross receipts" has been reduced from 50% to 20%.
- To further assist with liquidity, businesses with 500 or fewer employees may advance the credit at any point during the quarter based on wages paid in the same quarter in a previous year.
- Provides that employers who receive PPP loans may still qualify for the ERTC with respect to wages that are not paid for with forgiven PPP proceeds.

Paid Leave Tax Credits extended through March 31, 2021

- Businesses with fewer than 500 employees may receive a refundable tax credit in order to provide employees with paid sick and family and medical leave for reasons related to COVID-19.
- Workers may receive up to 80 hours of paid sick leave for their own health needs or to care for others and up to an additional ten weeks of paid family leave to care for a child whose school or place of care is closed or child care provider is closed or unavailable due to COVID-19 precautions.

Charitable Contributions

- The non-itemizer charitable deduction is extended and modified for 2021. The provision increases the maximum amount that may be deducted such that married couples filing a joint return may deduct up to \$600 (while non-married filers or married filers who file separately are limited to \$300).
- Extends through 2021 a temporary increase in deductible charitable contributions for corporations and taxpayers who itemize. The limit is removed entirely for individuals who itemize and increased to 25% for corporations.

Education Funding

- **K-12 Distribution:** Funds will be distributed to the states within 30 days of passage by the same proportion in which states received Part A of title I of the ESEA of 1965 of the most recent fiscal year. States are required to allocate not less than 90 percent using the same proportional formula.
- **Maintenance of Effort:** States are required provide assurances that they will maintain support for elementary and secondary education, and for higher education in fiscal year 2022 at least at the proportional levels of their support for elementary and secondary education and for higher education relative to their overall spending, averaged over fiscal years 2017, 2018, and 2019.

Rental Assistance

- Eligible households may receive up to 12 months of assistance, plus an additional 3 months if necessary, to ensure housing stability. Grantees can only commit to assistance in 3-month increments, after which point an eligible household must re-apply for funds.
- An “eligible household” is defined as a renter household that meets the following criteria:
 - Qualifies for unemployment or has experienced a reduction in household income, incurred significant costs, or experienced a financial hardship related to COVID-19;
 - Demonstrates a risk of experiencing homelessness or housing instability; and
 - Has a household income at or below 80 percent of the area median.
- An application for rental assistance may be made directly to a grantee by either an eligible household or by a landlord on behalf of that eligible household. In general, grantees will provide funds directly to landlords and/or utility service providers. If a landlord does not wish to participate, the grantee may provide funds directly to the eligible household.
- Extends the eviction moratorium issued by the Centers for Disease Control and Prevention (CDC) through January 31, 2021

Rough estimates for New York’s share of certain funding sources

- Vaccine distribution and testing and tracing: \$1.5 billion
- K-12 Education: \$4 billion
- Higher Education: \$1.4 billion
- Governor’s Emergency Education Fund: \$313 million
- Rental Assistance: \$1.3 billion
- Child Care Grants: \$465 million

Thank you.

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IBANYS will continue to provide updates as additional information becomes available. Thank you all for your continued participation and support.

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