

\$28.6 Billion in Stimulus Relief for Restaurants

On March 11, 2021, President Biden signed another round of stimulus funding into law. The *American Rescue Plan Act of 2021* (ARPA) designates \$28.6 billion to create a Restaurant Revitalization Fund to be administered by the U.S. Small Business Administration (SBA). The legislation creates the funding, but the SBA will need to establish an application and approval process and detailed documentation requirements.

The ARPA also includes a variety of items, including aid for vaccinations and testing, state and local governments, schools, rental assistance, agriculture, and the airline industry. The ARPA also includes several tax-related provisions and additional business relief. For an overview of other ARPA provisions, see "[Senate Passes Latest COVID-19 Stimulus Bill](#)."

Program Highlights

The grants made will be equal to an entity's pandemic-related revenue loss with a maximum grant size of \$10 million per eligible entity and any affiliated businesses and a cap of \$5 million per physical location. The funds can be used to cover allowable costs for the period from February 15, 2020, to December 31, 2021, or another date to be determined by the SBA that is not later than two years after the ARPA's enactment. The SBA will set aside \$5 billion for entities with 2019 gross receipts of \$500,000 or less. The remaining \$23.6 billion will be awarded in an equitable manner to eligible entities of different sizes based on annual gross receipts.

There will be a 21-day priority period for entities that are small business concerns owned and controlled by women and veterans, and socially and economically disadvantaged small business concerns (this group will continue to have access after the priority period as well). Applicants will submit a self-certification of eligibility for priority access.

Awards will be approved in the order applications are received by the SBA. Unlike some other relief programs, no pre-registration is required.

Eligibility

Eligible entities include a restaurant, food stand, food truck, food cart, caterer, saloon, inn, tavern, bar, lounge, brewpub, tasting room, taproom, licensed facility, or premises of a beverage alcohol producer where the public may taste, sample, or purchase products, or other similar place of business in which the public or patrons assemble for the primary purpose of being served food or drink. These entities can be located in an airport terminal or tribally owned.

Paycheck Protection Program (PPP) loan recipients are eligible, but any restaurant awards will be reduced by any PPP loan proceeds in 2020 or 2021. Also, for federal income tax purposes, any grants received by an eligible entity are not taxable, and deductions are allowed for otherwise deductible costs paid with the grant funds.

The following entities are **not** eligible:

- A state or local government-operated business
- As of March 13, 2020, an entity that owns or operates (together with any affiliated business¹) more than 20 locations, regardless of whether those locations do business under the same or multiple names

¹*The term affiliated business means a business in which an eligible entity has an equity or right to profit distributions of not less than 50 percent, or in which an eligible entity has the contractual authority to control the direction of the business, provided that such affiliation shall be determined as of any arrangements or agreements in existence as of March 13, 2020.*

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- The entity has a pending application for or has received a shuttered venue operators grant (SVOG) under the *Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act* (see BKD article "[Shuttered Venue Grants – Now Eligible for PPP, New Details and Resources Released](#)")
- A publicly traded company

Pandemic-Related Revenue Loss

The ARPA defines the pandemic-related revenue loss as an entity's gross receipts (to be defined by the SBA) during 2020 subtracted from the entity's 2019 gross receipts, if the difference is greater than zero. As noted above, the resulting amount is reduced by any PPP loan amount received. Further verification documentation requirements will be determined by the SBA. Alternate calculations are provided for entities not in business for part of this period:

- **An entity not in operation for the entirety of 2019** – The pandemic-related revenue loss would be the difference between 12 times the entity's 2019 average monthly gross receipts and 12 times the entity's 2020 average monthly gross receipts, or an amount based on a formula to be determined by the SBA.
- **An entity opened between January 1, 2020, and the day before the ARPA's enactment date (March 11, 2021)** – The pandemic-related revenue loss would be the allowable expenses (defined below) incurred minus any gross receipts received or an amount based on a formula to be determined by the SBA.
- **An entity has not yet opened as of the grant application date but has incurred allowable expenses as of the ARPA's enactment date** – The pandemic-related revenue loss would be the amount of the allowable expenses or an amount based on a formula to be determined by the SBA.

Allowable Grant Uses

These funds may be used for any of the following:

- Payroll costs (except for qualified wages used to receive an employee retention credit, and for premiums taken into account for purposes of the new continuation coverage premium assistance credit, which is a new credit made available under the ARPA)
- Payments of principal or interest on any mortgage obligation. Principal prepayment is prohibited
- Rent payments, including rent under a lease agreement. Prepayment of rent is prohibited
- Utilities
- Maintenance expenses, including:
 - Construction to accommodate outdoor seating
 - Walls, floors, deck surfaces, furniture, fixtures, and equipment
- Supplies, including protective equipment and cleaning materials
- Food and beverage expenses that are within the scope of the normal business practice of the eligible entity before the covered period
- Covered supplier costs (as defined for purposes of PPP loan forgiveness)
- Operational expenses
- Paid sick leave
- Any other expenses that the SBA determines to be essential to maintaining the eligible entity

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Any funds not used for allowable expenses during the covered period—or if the entity has unused funds when it permanently ceases operation on or before the last day of the covered period—must be returned to the Treasury.

Conclusion

Similar to the SVOGs, we expect the SBA will develop a new webpage and application portal to administer this program. In the interim, eligible entities should begin the process of calculating the potential grant amount and how it will interact with other stimulus relief options, such as the PPP and the employee retention credit. BKD will continue to follow this developing situation and share new guidance as it is released. Visit [BKD's COVID-19 Resource Center](#) to learn more. If you have questions about these changes, contact your **BKD Trusted Advisor**™ today.

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