

Restaurants/Bars Act Fast! New Pandemic Relief Just for You!

By Mary Lundstedt, Esq.

The American Rescue Plan Act (ARPA) of 2021 includes a significant tax-relief measure for small and independent restaurants. Specifically, ARPA allocates over \$25 billion in tax-free pandemic relief grants to the Restaurant Revitalization Fund (RRF) for bars and restaurants—available in awards up to \$10 million per company (capped at \$5 million per location). The RRF is intended to help small restaurants and bars pay rent, payroll and other expenses during the pandemic. Note that the RRF is administered by the SBA.

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Since the tax-free RRF grants are intended to cover a business's total "pandemic-related revenue loss," generally, an eligible business may receive an amount equal to the difference between the business's 2020 revenue as compared to its 2019 revenue. Moreover, every applicant must remember that "pandemic-related revenue losses" are reduced by any PPP Loans received (first and/or second draw). Consider these various scenarios depending on the dates of operation:

- A business operating before 2019 might receive a grant equal to: (2019 gross receipts) – (2020 gross receipts + PPP loan amount(s) received).
- A business in operation for only a portion of 2019, and before any subtraction for PPP Loan amount(s) are considered, might qualify for the difference between 12 times the average monthly 2019 gross receipts and the 2020 average monthly gross receipts (or an SBA approved formula).
- A 2020 start-up may apply for a grant equal to the resulting amount of "eligible expenses" subtracted by gross receipts received (or an SBA approved formula).
- Finally, pre-application date, a business that hasn't started operating but has already incurred "eligible expenses" may find itself eligible for an amount equal to those expenses (or an SBA approved formula).

Again, these grants are not taxable as income; moreover, the expensed paid with the grant proceeds are deductible from gross income. However, businesses should note that if it doesn't use all grant funds received, or if the business permanently closes before or on the last day of the covered period, any remaining funds not used for allowable expenses must be returned.

Timing is critical.

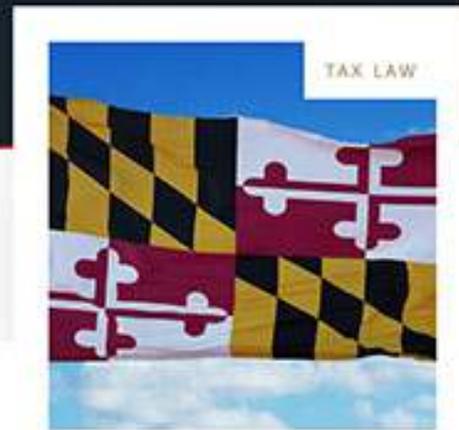
The SBA is set to award RRF grants in the order the applications are received, although for its first 21 days priority will be given to certain applicants such as businesses owned by women and veterans (among others).

Let us Help!

Unlike PPP Loans where banks submit applications to the SBA, RRF grant applications are submitted directly to an SBA portal by the applicant. We can help you determine if your business qualifies as an “eligible entity” and whether or not

your “eligible expenses” are covered. We can also assist you with compilation of the contemporaneous documentation needed to support your representation to the SBA that the grant is vital to support your ongoing operations. As with PPP Loans, we anticipate that the SBA will scrutinize applicants—and we want to make this process as streamlined as possible for you. Contact our team by calling (410) 862-3957 or [REQUESTING A CONSULT ONLINE](#) now.

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