TO: NAW Direct Members

FROM: NAW Government Relations Team

DATE: April 7, 2020

1. New Guidance on Paycheck Protection Program Loans

Last evening the Treasury Department released a new Frequently Asked Questions on the Paycheck Protection Program. This is a very useful document and either addresses or resolves a number of questions or concerns businesses had with the program. For example, there was an apparent glitch in the SBA’s Interim Final Rule on how small businesses would be defined for eligibility in PPP, which we were working with our trade association colleagues to get fixed, and this new FAQ fixes the problem. It also provides guidance on many other aspects of the program.

- The CARES Act states clearly that any business is eligible for PPP loans under whichever of two thresholds for counting employees is greatest: either (1) a threshold of 500 or fewer employees; or (2) a threshold for businesses within certain industry categories with applicable SBA employee-based size standards. However, the Interim Final Rule released by the Small Business Administration last Thursday appeared to limit businesses that would qualify for PPP loans to those that meet two size thresholds: the 500 employee threshold and the revenue/gross receipts standard (for the industries where gross receipts is the controlling factor in size determination).

While this apparent conflict would not impact the wholesale distribution industry directly, it could very well impact many of your customers. For example, retail, restaurants and construction all fall under the gross receipts size determination. The FAQ resolves this issue, clearly stating that “... a business is eligible for a PPP loan if the business has 500 or fewer employees whose principal place of residence is in the United States, or the business meets the SBA employee-based size standards for the industry in which it operates (if applicable) ....” While it is very unusual for a departmental FAQ to govern over an official rule-making, we anticipate that when the SBA publishes its rule in the Federal Register it will correct this conflict.

- We have had several member companies raise questions about how employees are counted for eligibility in PPP. The FAQ addresses this issue,
and while it may not be completely definitive, it does provide much clearer
guidance than the CARES Act legislative language.

Click here to access the FAQs: https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf

2. Proposed Increase in Hazard Pay for Essential Workers

Senate Democrats have begun to call for the next emergency rescue package, currently
being dubbed “Covid-4,” to include a “Heroes Fund” for essential frontline workers.

The fund would be used to provide a premium pay increase for hospital workers, transit
workers, drivers, grocery store clerks, and other essential workers. Senate Minority
Leader Chuck Schumer has said this provision is one of the Senate Democrats highest
priorities.

Under the proposal this fund would be used to increase these employees’ salaries by up
to $25,000 per frontline worker from the start of the pandemic until the end of 2020.
The benefits would be capped at $25,000 for workers earning less than $200,000 a year
and at $5,000 for those earning more than $200,000 and the funds would be provided
directly to employers to distribute to their frontline workers.

After receiving the funds, the employers would be required to track payments and return
any unspent dollars to the federal government. At the moment, Senate Republicans
have been focused on implementing the recently passed provisions within the CARES
act as well as adding more funds to the Paycheck Protection Program. While an infusion
of additional emergency funds for PPP loans is being talked about separately (see
below), any significant legislation to help with the pandemic and the economic impact on
the country, or to modify the specific programs in the CARES Act, is likely several weeks
away, as both chambers of Congress are in recess until the end of April.

3. Senate Eyeing More Small Business Funding for the Paycheck Protection
Program

Today, Senate Majority Leader Mitch McConnell announced that he is working to add
more funding for the Small Business Paycheck Protection Program which could come as
soon as this Thursday. Senator Marco Rubio, Chairman of the Senate Small Business
Committee, estimates the program needs an additional $200-$250 billion on top of the $350 billion already allocated for the program.

This afternoon, Treasury Secretary Steven Mnuchin tweeted, “At the direction of President Trump, I’ve spoken with Senate and House Leadership to secure an additional $250 billion for the Payroll Protection Program to make sure small businesses get the money they need!”

Banks and the Small Business Administration have been overwhelmed by the number of applications since the program began operating last Friday, leading President Trump, Treasury Secretary Mnuchin and Senator Rubio to predict the need for more funding. Although the program has ramped up more quickly than other elements of the rescue bill, including unemployment insurance and payments to individuals, the demand has still outstripped expectations.

We have been in constant discussions with both the Administration and our allies on Capitol Hill urging them to provide clear guidance for our employers on the rollout of this program – as well as the lending program for larger businesses – as soon as possible.

Today, the Washington Post reports that, “Small business owners are not only struggling to navigate an unprecedented economic shutdown forced by the coronavirus, they are also knee-deep in the bureaucratic morass of what is meant to be Washington’s rescue effort.” One small business owner in Michigan reported that he called the SBA and was told that he was the 17,651st caller in line.

Click here to read the full Washington Post story: https://www.washingtonpost.com/us-policy/2020/04/06/trump-democrats-coronavirus-stimulus-trillion/?utm_campaign=wp_post_most&utm_medium=email&utm_source=newsletter&wpisrc=nl_most

In Leader McConnell’s statement today, he said, "It is quickly becoming clear that Congress will need to provide more funding, or this crucial program may run dry. That cannot happen. Congress needs to act with speed and total focus to provide more money for this uncontroversial bipartisan program."

House Minority Leader Kevin McCarthy said the House would move quickly to approve the bill after Senate passage "and provide confidence to small businesses across the country that their government will be there for them."
While both parties have supported the Payroll Protection Program, this move could meet opposition in the House, where Democratic leaders are typically resistant to piecemeal extensions.

As we reported last week, top Democrats are already pushing for another massive rescue bill that would build upon the last piece of legislation and include expanded unemployment benefits, more money for state and local governments and another round of direct cash payments to most Americans.

House Speaker Nancy Pelosi wants to begin working on the new bill immediately and plans to vote on it when the House comes back into session later this month — although many lawmakers are increasingly doubtful that the Congress will reconvene that soon given the continued spread of the virus across the country.

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“Distribution Industry: Navigating the Crisis” • April 9, 2020 • 3:00 PM EDT
Seats are limited -- Purchase your seat today at: https://www.naw.org/navigating-the-crisis/

Many thanks—

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