



ONLINE ▶ ON DEMAND

RESTAURANT REVITALIZATION GRANT

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OUR EXPERTS



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RESTAURANT REVITALIZATION GRANT (RRG)

Restaurants and COVID-19

- Restaurant industry significantly impacted by pandemic
- Government orders to shutdown; retaining employees; attracting customers; re-tooling operations; *etc.*
- Many restaurants have closed; others are hanging on by a thread; only a few have prospered
- Slowly starting to recover, but many still struggling

RESTAURANT REVITALIZATION GRANT (RRG)

Congress Provide\$ Relief

- Congress passed COVID-19 legislation with over \$5 trillion for businesses, employees, health care workers, and others.
- Many took advantage of “Paycheck Protection Program” (PPP) loans (Draw One and Draw Two), including various restaurants.
- “American Rescue Plan Act (“ARPA”) enacted March 11, 2021, with nearly \$2 trillion in relief, including more stimulus checks.
- Congress felt more needed for restaurant industry.
- ARPA included a program directed at restaurant industry. Established “Restaurant Revitalization Fund” with nearly \$30 billion - managed by the SBA to issue “Restaurant Revitalization Grants”(“RRG”) to eligible businesses. First it was “PPP,” now it is “RRG” for restaurants.
- **Explore the Who, What, When, Where, Why, and How with the RRG.**

RESTAURANT REVITALIZATION GRANT (RRG)

Who: Who Can Apply for an RRG Grant?

- Eligible entities are businesses that have not closed.
- Designed for businesses where customers gather with primary purpose of being served food or drink.
- Statute and SBA lists the **following as being eligible** for the RRG:
 - **Restaurants; food stands; food trucks; food carts; caterers; bars; saloons; lounges taverns; snack and non-alcoholic beverage shops (e.g., coffee shops and ice cream shops).**

RESTAURANT REVITALIZATION GRANT (RRG)

Who: Who Can Apply for an RRG Grant?

- **Statute and SBA lists the following as being eligible for the RRG:**
 - Bakeries; brewpubs; tasting rooms; taprooms; breweries and microbreweries; wineries and distilleries; and Inns.
- **With these on-site sales to public \geq 33% of gross receipts.**
- **With Inns**, on-site sales of food/beverage to public \geq 33% of gross receipts.
- 33% measured from **2019 sales**.
- Post-2019 Businesses: “businesses who opened in 2020 or have not yet opened, the Applicant’s original business model should have contemplated at least 33% of gross receipts in on-site sales to the public.”

RESTAURANT REVITALIZATION GRANT (RRG)

Who: Who Can Apply for an RRG Grant?

- **“On-site Sales” defined** by the SBA as:
 - sales of food and/or beverage were consumed on Applicant’s premise;
 - purchased at the Applicant’s premise to-go;
 - purchased online and picked up from the Applicant’s premise; **or**
 - delivered directly to a consumer for use.
- Applies to **sales to customers; not wholesale sales.**

RESTAURANT REVITALIZATION GRANT (RRG)

Who: Who Can Apply for an RRG Grant?

- **Franchisees.**
- Any business concern operating as a franchise and meeting all other program requirements is eligible. The franchise must be listed on the **SBA Franchise Directory**.
- In the application portal, Applicants will be able to look up their entity on the SBA Franchise Directory.
- For brands not listed in Directory, the franchisor must submit the Franchise Disclosure Document (or other agreement) and all other documents a franchisee is required to sign for review of SBA's other eligibility criteria.

RESTAURANT REVITALIZATION GRANT (RRG)

Who: Who **Cannot** Apply for an RRG Grant?

- **The following are ineligible for the RRG and cannot apply:**
 - A state or local government-operated business;
 - On **March 13, 2020**, owns or operates **more than 20 locations** (includes any affiliated businesses);
 - Is a publicly-traded company;
 - Is a non-profit organization;
 - Received or applied for a “Shuttered Venue Operators Grant” (“SVOG”);
 - Is permanently closed.

RESTAURANT REVITALIZATION GRANT (RRG)

Who: Who Can Apply for an RRG Grant?

- Q: If you purchase a restaurant in 2021 can you qualify for an RRG Grant?
- A: **Yes, if the receipts in 2020 were less than the receipts in 2019 and all other requirements and certifications are met.**
- Q: If you do not face economic uncertainty currently, but had a decline in gross receipts in 2020 vs. 2019, do you qualify for an RRG?
- A: **No. Remember that you must self-certify to this and other representations.**
- Q: If you sold your restaurant in 2021 but owned it in 2020 and 2019, can you qualify for an RRG grant?
- A: **No. You must own it to apply.**

RESTAURANT REVITALIZATION GRANT (RRG)

Who: Who Can Apply for an RRG Grant?

- Q: Brett Rodgers opened a very popular convenience store near Rambeau Field selling hot pizza, coffee, and hand warmers. Food sales represent more than 33% of the total sales. Does Brett's store qualify as a restaurant?
- A: **No. This is not eligible. This is viewed more like a retailer than a restaurant.**
- Q: Tamika expanded her business enterprise to sell tea and coffee on-line. Does this qualify for an RRG grant?
- A: **No. If the business model is on-line sales for off-site consumption, the Applicant is not eligible. If Tamika would sell at least 33% of her food or beverages on-site for on-site consumption, this may qualify.**

RESTAURANT REVITALIZATION GRANT (RRG)

What: What is the RRG and How is it Calculated?

- **RRG is a grant. It is not a loan.** Similar, but different from PPP loans.
- The RRG must be spent in “covered period” on eligible expenses. Any amount of grant not spent in covered period must be repaid to SBA.
- The RRG is designed to cover the revenue shortfall of the business from the pandemic.
- Or, for a new business, the RRG will cover the start-up costs for a new restaurant.

RESTAURANT REVITALIZATION GRANT (RRG)

What: What is the RRG and How is it Calculated?

- Three methodologies for determining amount of RRG. Depends on when business began. The RRG Application has 3 tables.
- **Table 1** - Restaurant operated for entire 2019 year and after.
- **Table 2** - Restaurant began operations in 2019.
- **Note:** Restaurants that opened in 2019 **can elect to use either Table 2 or Table 3.**
- **Table 3** – Restaurant began operations between January 1, 2020, and March 10, 2021; **AND** restaurant (applicant) not yet opened, but incurred eligible expenses as of March 11, 2021.

RESTAURANT REVITALIZATION GRANT (RRG)

What: What is the RRG and How is it Calculated?

■ Table 1:

- **Step 1:** Begin with gross receipts of eligible entity for 2019.
- **Step 2:** Subtract 2020 gross receipts of eligible entity. Does not include any amounts received from any PPP loans and similar other loans.
- **Step 3:** Then subtract the total disbursement of any PPP loan (First Draw and Second Draw) received, regardless of whether received in 2020 or 2021.
- **Step 4:** The aggregated RRG funding limited to \$5 million per location and \$10 million in total for applicant and affiliates. Also, a minimum level of \$1,000.

RESTAURANT REVITALIZATION GRANT (RRG)

What: What is the RRG and How is it Calculated?

Table 1: Example

- *Justin's Seafood Grille opened in 2010. In 2019 it had gross receipts from its restaurant of \$2,000,000. In 2020, its gross receipts slipped to \$900,000. Justin's also applied for PPP loans of \$300,000 (First Draw) in 2020 and \$300,000 (Second Draw) in 2021. How much of an RRG grant is Justin's allowed to apply for in 2021?*
 - **Step 1:** 2019 Gross Receipts of \$2,000,000
 - **Step 2:** 2020 Gross Receipts of \$900,000.
 - **Step 3:** Decline in Revenue (Step 1 less Step 2) of \$1,100,000. This amount is then reduced by the \$600,000 of PPP loans in 2020 and 2021 to arrive at \$500,000.
 - **Step 4:** \$500,000 (from Step 3) is less than \$5,000,000 per location limit. Thus, Justin's Seafood Grille can apply for an RRG grant of \$500,000.

RESTAURANT REVITALIZATION GRANT (RRG)

What: What is the RRG and How is it Calculated?

■ Table 2:

- **Step 1:** Take gross receipts in 2019 and annualize these. *For example, if a restaurant opened on October 15, 2019, and its total 2019 gross receipts were \$25,000. On an annualized basis these would translate into \$120,000.*
- **Step 2:** Subtract 2020 gross receipts of eligible entity. Does not include any amounts received from any PPP loans and similar other loans.
- **Step 3:** Then subtract the total disbursement of any PPP loan (First Draw and Second Draw) received, regardless of whether received in 2020 or 2021.
- **Step 4:** The aggregated RRG funding limited to \$5 million per location and \$10 million in total for applicant and affiliates. Also, a minimum level of \$1,000.

RESTAURANT REVITALIZATION GRANT (RRG)

What: What is the RRG and How is it Calculated?

■ Table 3:

- **Step 1:** Start with the total amount you spent on **eligible expenses incurred** on or between **February 15, 2020, and March 11, 2021**.
- **Step 2:** Subtract 2020 gross receipts as reported (if any). Does not include any amounts received from any PPP loans and similar other loans.
- **Step 3:** Then subtract the total disbursement of any PPP loan (First Draw and Second Draw) received, regardless of whether received in 2020 or 2021.
- **Step 4:** The aggregated RRG funding limited to \$5 million per location and \$10 million in total for applicant and affiliates. Also, a minimum level of \$1,000.

RESTAURANT REVITALIZATION GRANT (RRG)

What: What is the RRG and How is it Calculated?

- Q: The waitresses at Mel's Diner received a lot of tips during 2019 but then were unable to work most of the year 2020 as the restaurant was open much less. Does Mel include tips in 2019 gross receipts to calculate RRG amount?
- **A: No.**
- Q: Mark from Arc owned a gas station and a restaurant in 2019 and 2020 that were located at separate physical locations. Both of businesses had a decline in revenues, do I calculate the revenue decline by combining revenues from both and comparing 2020 to 2019?
- **A: No - only include the restaurant's revenues in the computation of the amount eligible for an RRG grant.**

RESTAURANT REVITALIZATION GRANT (RRG)

When: RRG Timing and Covered Period.

- The RRG was signed into law as part of the ARPA on March 11, 2021.
- The “Covered Period” for use of RRG funds on eligible expenses **begins on February 15, 2020 and ends on March 11, 2023.**
- Thus, a restaurant receiving RRG must use all funds by March 11, 2023.
- If restaurant permanently closes, covered period ends when business closes, or on March 11, 2023 (if sooner).
- **Note: the covered period applies to period of over one year prior to restaurant receiving RRG funds. Runs for over three years.**
- Different than PPP loan as covered period starts when loan disbursed.

RESTAURANT REVITALIZATION GRANT (RRG)

Where: Where Does the RRG Apply?

- The RRG applies to restaurants across the US.
- The SBA does not indicate an RRG can apply for restaurants outside the US.

RESTAURANT REVITALIZATION GRANT (RRG)

Why: Why Establish this RRG Program and What Costs are Covered under RRG?

- The RRG is focused on helping restaurants and to support their employees.
- The statute and SBA identify what eligible expenses a restaurant can use its RRG funds on during the covered period.
- The type of RRG eligible expenses a restaurant can incur is extensive. It is much wider than the eligible expenses under a PPP loan.
- **Again, the RRG must be spent in “covered period” on eligible expenses. Any amount of grant not spent in covered period must be repaid to SBA.**

RESTAURANT REVITALIZATION GRANT (RRG)

Why: Why Establish this RRG Program and What Costs are Covered under RRG?

▪ **Eligible expenses with RRG grant:**

1. **Business payroll costs**, including sick leave and costs related to the continuation of group health care, life, disability, vision, or dental benefits during periods of paid sick, medical, or family leave, and group health care, life, disability, vision, or dental insurance premiums.
2. Payments on any **business mortgage obligation** (both principal and interest, but no prepayments).
3. **Business rent payments** (but no prepayments).
4. **Business debt service** (both principal and interest, but not prepaid).

RESTAURANT REVITALIZATION GRANT (RRG)

Why: Why Establish this RRG Program and What Costs are Covered under RRG?

5. Business **utility** payments.
6. Business **maintenance expenses** including maintenance on walls, floors, deck surfaces, furniture, fixtures, and equipment.
7. Construction of **outdoor seating**.
8. **Business supplies**, including protective equipment and cleaning materials.
9. **Business food and beverage expenses**, including raw materials for beer, wine, or spirits.

RESTAURANT REVITALIZATION GRANT (RRG)

Why: Why Establish this RRG Program and What Costs are Covered under RRG?

- 10. Covered supplier costs**, which is an expenditure made by the eligible entity to a supplier of goods for the supply of goods that:
- Are essential to the operations of the entity at the time at which the expenditure is made; **and**
 - Is made pursuant to a contract, order, or purchase order in effect at any time before the receipt of Restaurant Revitalization funds; or
 - With respect to perishable goods, a contract, order, or purchase order in effect before or at any time during the covered period.
- 11. Business operating expenses**, which is defined as business expenses incurred through normal business operations that are necessary and mandatory for the business. Business operating expenses do not include expenses that occur outside of a company's day-to-day activities.

RESTAURANT REVITALIZATION GRANT (RRG)

Why: Why Establish this RRG Program and What Costs are Covered under RRG?

- Q: Can Cousin Freddy buy 5 new food trucks to provide his popular Hamburger Helper sandwich to other parts of the Indianapolis community? He started with 5 food trucks and wants to expand to 10.
- **A: No – Freddy cannot expand his operation with RRG funds. However, Freddy could replace the 5 food trucks he has with better food trucks.**
- Q: Can Justin expand his restaurant location seating? All new seats will be outdoor seating.
- **A: Yes, if the expansion is related to outdoor seating, then this is an eligible use of RRG funds.**

RESTAURANT REVITALIZATION GRANT (RRG)

Why: Why Establish this RRG Program and What Costs are Covered under RRG?

- Q: Can maintenance expenses include interior and exterior painting, plumbing repairs, replacement of small kitchen equipment used in the business?
- **A: Yes**
- Q: Can operating expenses include the purchase of home delivery equipment if home delivery was not part of the previous business operation?
- **A: Probably not but we are not sure. This could be considered an expansion of the business but arguably could also be considered necessary to sustain the operation and mitigate the spread of the virus.**

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

- Three Methods or Formats set by SBA to apply for an RRG:
 1. With a recognized “**SBA Restaurant Partner**”
 2. Directly online with the at **restaurants.sba.gov**
 3. Apply over the phone with SBA by calling **(844) 279-8898**
- **SBA Restaurant Partner.** SBA developed partnerships with many well-known tech companies that provide software, hardware, and payments services to restaurant industry to ensure equitable distribution of relief. If restaurant now uses an SBA Restaurant Partner, it can apply for RRG funding through their website or secure portal. These partners developed capabilities to make it easier for applicants to calculate, validate, and submit RRG applications to the SBA.

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

- **Apply directly online with SBA as follows:**
 - Gather documentation outlined in this document;
 - Visit restaurants.sba.gov to access the application platform;
 - Create an account and complete application;
 - Submit required documentation;
 - Execute DocuSign package;
 - SBA review application;
 - SBA may follow-up with questions by e-mail;
 - Once approved by the SBA, funds will be deposited in bank account.

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

- Apply over the phone with SBA by calling **(844) 279-8898**:
 1. Gather required documentation;
 2. Complete the application questionnaire with SBA support agent;
 3. Completed application - signature documents then mailed to applicant;
 4. Applicant executes and notarizes application, and sends back to SBA;
 5. SBA reviews application and may request further information;
 6. Once approved by the SBA, funds will be deposited in bank account.

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

■ Special Rules for RRG Applications with Affiliates and Locations

- The SBA indicates applicant must count **all locations** owned or operated under applicant's EIN and applicant's affiliates, even those locations not eligible for RRF.
- **An entity (with its affiliates) owns or operates more than 20 locations, regardless whether the businesses operate under different names or are different types of business, is not eligible for RRF.**
- **Example:** *ABC owns 17 gas stations and 6 restaurants. In this case, ABC has > 20 locations, thus it is ineligible for an RRG grant.*
- **The key is determining the number of locations.** The SBA states that "each place where the applicant or affiliates conduct sales from a permanent structure is counted as a location. If the applicant or affiliates conduct sales from multiple permanent locations, each address is a separate location."

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

- **More on Affiliations with a RRG Applicant.**
- Locations owned/operated by a single corporate group count toward 20 location limit for RRG grant, and for \$10 million limit on RRG grant.
- SBA explains the **location** limit: "individuals or entities that directly or indirectly own or control multiple locations, all locations must be counted toward the 20-location maximum limit for RRG eligibility, and \$10 million aggregate limit on funding."
- The SBA further states "this includes any locations that operate under separate tax identification numbers or names, and applies whether or not ownership or control is through an individual management or holding companies or other entities."

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

- Q: Boss Perot owned 19 rental properties and 2 restaurants. This constitutes 21 separate locations. Can Boss apply for a PPP loan?
- A: Each place where the applicant conducts sales from a permanent structure is counted as a location. Thus, it is our interpretation that sales are not conducted from an investment property such as rental real estate, thus, these do not count against the location limit.
- Q: Cousin Freddy owns 5 food trucks, 16 portable food carts, and a vintage clothing store located in an RV (yes, the white leather shoes are for sale!) Does Cousin Freddy exceed the 20 location limit?
- A: No, remember that only sales from a permanent structure count as a location.

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

- Q: Can you use RRG funds to maintain and improve your restaurant and then sell the restaurant?
- A: **Yes – you must verify that all the RRG funds were expended for eligible purposes, or return them to the SBA, but there are no restrictions that prohibit an owner from selling the restaurant.**

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

- **More on Affiliations with a RRG Applicant.**
- When completing RRG application, applicant asked if it has any **affiliates**. Respond **YES** if the following situations:
 - applicant has an equity interest or right to profit distributions of **50% or greater** of one (or more) other business entity;
 - any owner of **20% or greater** equity interest of applicant entity has an equity interest or right to profit distributions of **50% or greater** of one (or more) other business entity;
 - applicant business is a holding or management company owning/managing a business other than the applicant business, or if applicant business is held or managed by company owning or managing other businesses these entities must be counted as separate affiliates and locations.

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

- **Application Process – SBA Form 3172**
- **Ownership of Applicant must be Provided.** All 20% or more equity owners must be provided. This includes name, address Tax ID #, and ownership %. If no owner has 20% or more ownership, then list enough owners to account for at least 20%.
- Some questions will address whether the applicant is eligible for an RRG, or ineligible (several of these factors were addressed earlier).
- The applicant must complete the 4-step calculation process under the three funding methods (discussed earlier).
- The application addresses the priority in awarding RRG grants (addressed earlier). The applicant checks the priority status and then must self-certify that it is eligible for an RRG.

RESTAURANT REVITALIZATION GRANT (RRG)

How: How Does a Restaurant Apply for an RRG?

- Priority in Application
- Under ARPA, will prioritize awarding funds to applicants that are small business concerns at least 51 percent owned and controlled by individuals who are:
 - **women;**
 - **veterans; and/or**
 - **socially and economically disadvantaged individuals**
- More than one category may apply.
- Self-certification of priority status on application (SBA Form 3172).
- Awarding of RRG Grants:
 - **Days 1-21** - SBA accepts all RRG applications. SBA will distribute only funds to those meeting priority status.
 - **Days 22 and After** - SBA will accept applications and disburse funds in order in which applications are approved by the SBA.

RESTAURANT REVITALIZATION GRANT (RRG)

Other: Other Issues with RRG.

- **Application Process – Other Required Documentation (Besides SBA Form 3172)**
 - SBA Form 3172 - RRG Application
 - IRS Form 4506-T (Authorization to provide information)
 - Documentation of gross receipts (could include tax returns; Schedule C; bank statements; external/internal bank statements; POS reports (and Form 1099-K)).
 - Documentation of 33% of gross receipts for on-site sales for indicated business.
 - Other schedules or explanations as deemed necessary by the applicant.

RESTAURANT REVITALIZATION GRANT (RRG)

Other: Other Issues with RRG.

- Tax Treatment with RRG Grant and eligible expenses.
 - Grant is not taxable to the restaurant. Treated as tax-exempt income.
 - Eligible expenses are deductible by the entity.
 - For a restaurant entity structured as an S Corporation or a Partnership, the owners receive a basis adjustment for the non-tax income of the RRG.
- Favorable tax treatment. Similar to PPP loans.

QUESTIONS?



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