

BURR ALERT

The Revive Alabama Small Business Grant Program: Relief for COVID-19 Business Interruptions

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July 2020

BACKGROUND OF THE PROGRAM AND GRANTS:

To reimburse qualifying Alabama small businesses for qualifying business interruption expenses they have incurred due to the COVID-19 pandemic, Governor Ivy has established the Revive Alabama Small Business Grant Program (the "**Program**"). ALDOR will award grants in amounts of up to \$15,000.00. Because the Program will award the funds as grants, recipients will not have to repay the funds, unless the recipients have submitted false, fraudulent, or materially misleading information in their applications.

Alabama is funding the grants with funds it has received from the federal government pursuant to Section 601(a)(1) of the Social Security Act (42 U.S.C. § 301 *et seq.*), known as the "Coronavirus Relief Fund," which is part of the Coronavirus, Aid, Relief, and Economic Security Act (the "**CARES Act**").¹ The U.S. Department of Treasury allows states to use CARES Act funds for expenditures "related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures." Alabama has received approximately \$1.9 Billion in CARES Act funds, and it has dedicated \$100 Million of those funds to the Program.

GENERAL PROGRAM AND GRANT INFORMATION:

The Alabama Department of Revenue ("**ALDOR**") will administer the Program's application process for grants. The Program's application period will begin at noon on July 16, 2020 and end at midnight on July 25, 2020. ALDOR will award the grants on a first-come, first-served basis, until the grants awarded have depleted the Program's funds. Applicants may only apply for one grant each, and ALDOR will only award one grant to each recipient.

GRANT ELIGIBILITY REQUIREMENTS:

Applicants must meet ten eligibility requirements to obtain grants.² The eligibility requirements are as follows:

- 1) Applicants must be residents of Alabama, with permanent places of business located in Alabama.³
- 2) Applicants must have been in business and fully operational as of March 1, 2020, and continue to be operational as of their application dates.
- 3) Applicants must have had no more than nineteen "full-time equivalent employees" as of March 1, 2020.
- 4) Applicants cannot be (i) subsidiaries of, or owned by, businesses with more than 50 "full-time equivalent employees" or (ii) part of larger business enterprises with more than 50 "full-time equivalent employees."⁴

¹ Section 5001 of the CARES Act, Pub. L. No. 116-136 (March 27, 2020).

² In addition to the eligibility requirements, applicants will be asked if their businesses are minority or veteran owned. Applicants' responses to the questions will be optional, and Alabama will not consider the factors in awarding grants.

³ Residents include individuals, partnerships, corporations, or other business entities. For business entities, "resident" means based or headquartered in Alabama.

⁴ Individuals employed by smaller, affiliated employers will be aggregated to determine whether the larger enterprise has more than 50 "full-time equivalent employees" in the following three situations: (1) all employees of all corporations that are members of a controlled

- 5) Applicants must have filed Alabama Income Tax returns for both the 2017 and 2018 tax years as of March 1, 2020.⁵
- 6) Applicants must have been in good standing with ALDOR as of March 1, 2020.
- 7) Applicants must have incurred “eligible expenses” due to interruptions of their businesses up to the amounts requested.
- 8) Applicants must not have received CARES Act Paycheck Protection Program Loans (“**PPP Loans**”), Economic Injury Disaster Loans (“**EID Loans**”), Pandemic Unemployment Assistance (“**PUA**”), or insurance proceeds to cover otherwise “eligible expenses” under the Program; however, if applicants have received or are expected to receive such loans, assistance, or proceeds, they may still apply for grants, but they must reduce the amounts they request by the amounts they have received or expect to receive from the loans, assistance, and proceeds.
- 9) Applicants must have had less than an average of \$5 Million in “gross revenues” in each of the past two tax years.
- 10) Applicants must not: (i) exist to advance partisan political activities, (ii) directly lobby federal or state officials, or (iii) have employed or otherwise worked with a “lobbyist” (as defined in Section 36-25-1, Code of Alabama 1975) at any point during 2020.

EXPENSES ELIGIBLE FOR GRANT AWARDS:

To calculate grant eligibility, applicants can claim “eligible expenses” for the following:

- Mortgage interest.
- Rent.
- Payroll costs (including earnings from self-employment).
- Utilities.
- Personal Protective Equipment (PPE).

CALCULATION OF GRANTS:

ALDOR will calculate grant amounts based upon recipients’ reported “eligible expenses” **less** any funds applicants have received or expect to receive from PPP Loans, EID Loans, PUA, or insurance proceeds to cover otherwise “eligible expenses” under the Program.

NO REPORTING HOW RECIPIENTS USE GRANTS:

ALDOR will not require recipients to document or report how they use grant funds. However, as part of the application process, ALDOR will require applicants to verify that they will not use grant funds for any of the following purposes:

- Reimbursement for costs or damages covered by insurance.
- Expenses that have been or will be reimbursed by PPP Loans, EID Loans, PUA, or insurance proceeds.
- Reimbursement to donors for donated items or services.
- Workforce bonuses other than hazard pay or overtime.
- Severance pay.
- Legal settlements.

group of corporations (within the meaning of Internal Revenue Code §1563(a), determined without regard to section 1563(a)(4) and (e)(3)(C)), will be treated as employed by a single employer; (2) all employees of trades or businesses (whether or not incorporated), which are under common control will be treated as employed by a single employer; and (3) all employees of the members of affiliated service groups will be treated as employed by single employers.

⁵ Applicants that existed during 2019 must verify that they will timely file and pay 2019 income taxes in accordance with the due dates for their returns, including applicable extensions, and that their “gross revenues” for the 2019 tax year did not exceed \$5 Million. Applicants formed on or after January 1, 2020, must verify that they will timely file and pay income taxes due for the 2020 tax year.

ELIGIBILITY OF SPECIFIC APPLICANTS:

ALDOR has distinguished certain businesses and organizational structures for eligibility purposes:

- Non-profit businesses are not eligible.
- Sole proprietorships, self-employed individuals, franchises, and religious-based businesses are eligible.
- Businesses that operate in more than one state are eligible, if they are based or headquartered in Alabama.
- Businesses that operate in Alabama but have out-of-state owners are eligible.
- Owners may apply for multiple businesses, if each business (1) has its own taxpayer identification number, (2) files and reports its income on separate returns using its own taxpayer identification number, and (3) completes a separate application.

DETERMINATION OF APPLICANTS' FULL-TIME EQUIVALENT EMPLOYEES:

Applicants are not required to have minimum numbers of employees, but they cannot have had more than nineteen "full-time equivalent employees" on March 1, 2020 to qualify for grants. To determine how many "full-time equivalent employees" applicants had on March 1, 2020, applicants will follow the following three steps:

- First, applicants will count the number of individuals who averaged at least 30 weekly paid hours (whether actually worked or paid leave) in work weeks prior to March 1, 2020.
 - Applicants may choose any representative period of at least 26 prior, consecutive weeks to determine the average, but applicants must use the same such period for all individuals.
 - If applicants' businesses have been in existence for less than 26 weeks before March 1, 2020, applicants may use all prior weeks in which they had payroll expenses.
- Second, using the same representative period as in Step 1, applicants should determine the full-time equivalent of their part-time employees by calculating the quotient obtained by dividing the total hours of service of all their employees who did not average at least 30 weekly hours of service in work weeks prior to March 1, 2020 by 30.
- Third, applicants must add the results of Step 1 and Step 2, rounding any fraction down to the nearest whole number, and the resulting sum will be the applicants' number of "full-time equivalent employees" applicants had as of March 1, 2020.

If applicants laid off employees due to COVID-19, they will count their employees as of March 1, 2020 – **not** the number of their current employees **or** the number of employees they had at the beginning of the COVID-19 pandemic. Applicants will not count independent contractors as employees, but they must count temporary employees obtained from third-party staffing services.

DETERMINATION OF APPLICANTS' GROSS REVENUES:

For purposes of determining whether applicants exceed the average "gross revenue" eligibility threshold of \$5 Million in each of the past two tax years, applicants' "gross revenues" will be their total receipts during a given tax year (without consideration of deductions, credits, or other adjustments), determined as follows:

- *Individual Taxpayers/Sole Proprietors:*
 - If applicants report business income on Schedule C of their individual tax returns (Alabama Form 40), gross receipts are reported on Line 3 of Schedule C.
 - If applicants report business income on Schedule F of their Alabama Form 40, gross receipts are reported on Line 9 of Schedule F.
- *S-Corporations:* If applicants are S-corporations, "gross revenues" are reported on Line 1.c of their Alabama Form 20S (S Corporation Information/Tax Return).
- *Other Pass-Through Entities:* Gross receipts for other pass-through entities (limited liability companies, partnerships, etc.) are reported on Line 1.c of their Alabama Form 65 Partnership/Limited Liability Company Return of Income.

- *C-Corporations*: If applicants are C-corporations, “gross revenues” are reported on line 1.c of the IRS Form 1120 (U.S. Corporation Income Tax Return) or the Alabama Form 20C (Corporation Income Tax Return, Schedule D-1, line 25).

APPLICATION PROCESS – SUBMITTAL AND ACCEPTANCE:

ALDOR will accept grant applications only through its online My Alabama Taxes (MAT) portal (“**MAT Portal**”). Applicants will access the MAT Portal and submit applications as follows:

- Click on the following link: [My Alabama Taxes \(MAT\)](#)
- Log into their MAT account.⁶ Applicants can create MAT accounts by clicking [Welcome to MAT](#) and selecting “Don’t have a logon? Register here” located below the MAT Logon prompt.
- Complete their applications by selecting “Apply for a Revive Alabama Small Business Grant” link in the “I Want To:” section at the top right of the page.

APPLICATION PROCESS – TOOLS AND INFORMATION:

The MAT Account Application for the Program can be found by clicking here: [MAT Account Application](#).

Applicants will need the following tools and information to apply for grants:

- Applicants must have [My Alabama Taxes \(MAT\)](#) accounts and their logon information acceptable.
- Applicants must provide the following information:
 - Their business DBAs or tradenames (if applicable).
 - Their business entity types.
 - Their North American Industry Classification System (NAICS) Codes.⁷
 - Their business addresses and phone numbers.
 - Their primary contacts’ names and email addresses.
 - Their bank routing and account numbers.
 - Information about whether they have received other federal COVID-19 relief assistance, including PPP Loans, EID Loans, or PUA, and the amount of any loans or assistance received or expected to be received.
- Applicants may have to complete and submit IRS Form W-9s by uploading them with their applications.
- Applicants must affirm that (i) their statements made and information provided in and in connection with their applications are true and correct and (ii) they understand that making false statements or providing false information is subject to penalty, up to and including criminal penalties for perjury as provided in Section 13A-10-102, Code of Alabama 1975.

ALDOR will verify as much of applicants’ information submitted during the application process as possible against its own records, but applicants may need to provide additional documents, including, without limitation, the following:

- Documentation of their number of “full-time equivalent employees” as of March 1, 2020.
- Tax returns or Schedule C for the 2017 and 2018 tax years.
- Completed IRS Form W-9s.

⁶ If applicants have MAT accounts but cannot find or remember their login information, applicants should contact ALDOR’s Tax Policy and Governmental Affairs Division at 334-242-0479 or taxpolicy@revenue.alabama.gov for assistance. When emailing, applicants should include “Revive Alabama Grant Application” in the email’s subject line. If applicants reported their business income on Schedule C of their individual income tax returns for the 2018 tax year, applicants may be able to create a My Alabama Taxes (MAT) account using the Adjusted Gross Income (AGI) reported on their returns.

⁷ Applicants will be provided a dropdown menu to assist in selecting the appropriate NAICS Code.

New business applicants (those that began operations in 2019 or prior to March 1 in 2020) that were not pre-certified via the MAT account application process, will be required to provide additional documentation to verify their business credentials.

Sole proprietors, independent contractors, and members of single-member limited liability companies must submit copies of their Alabama driver's licenses or other Alabama issued IDs with their MAT account applications. ALDOR will verify drivers' license information against Alabama's driver's license records system. Additional documentation may include registration information from the Secretary of State for corporations and LLCs, and other documents such as business licenses, business lease agreements, *etc.* Applicants can find these and other examples of acceptable documentation on page 2 of the My Alabama Taxes (MAT) Account Application.

AWARD, DISBURSEMENT, AND RECEIPT OF GRANTS:

ALDOR will disburse grant funds by direct deposit to the bank accounts recipients have designated in their applications. To avoid delays in the disbursement of grant funds, applicants must provide bank account information for depository accounts with valid bank routing numbers. If applicants provide bank information for prepaid debit cards or similar payment mediums, the information will be subject to manual review and confirmation before the funds are disbursed. Although ALDOR acknowledges that these verification measures may slow down its disbursement of grant funds, ALDOR has implemented the measures to ensure that applicants actually receive grant funds awarded to them and that third parties have not submitted applications on the applicants' behalfs without the applicants' knowledge. ALDOR will deny grant applications if the applicants' bank information has previously been designated as fraudulent.

APPLICATION REVIEW PROCESS:

Applicants will **not** be able to monitor the status of their applications. ALDOR will process and expedite applications "as quickly as possible" and will issue initial approvals or denials of applications beginning approximately July 21, 2020. If ALDOR needs additional information to process applications, ALDOR representatives will contact applicants beginning approximately July 21, 2020. ALDOR will consider applications requiring additional information in order of receipt, once ALDOR has confirmed all eligibility requirements.

ALDOR will notify applicants via web notices to applicants' MAT accounts and email addresses, if provided.

QUESTIONS REGARDING APPLICATION AND GRANT AWARD PROCESS:

If applicants have questions regarding the application and award process, they may contact ALDOR's Tax Policy and Governmental Affairs Division at 334-242-0479 or taxpolicy@revenue.alabama.gov. When emailing, applicants should include "Revive Alabama Grant Application" in the email's subject line.

To discuss this further, please contact:

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