



## SBA Releases New Guidance for the Restaurant Revitalization Fund's Application Process

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### **Background**

On March 11, 2021, President Joe Biden signed his \$1.9 trillion COVID-19 relief package, known as the American Rescue Plan (the "ARP"), into law. The ARP includes the Restaurant Revitalization Fund (the "RRF"), a \$28.6 billion fund to aid restaurants struggling due to the COVID-19 pandemic. The Small Business Administration (the "SBA") is responsible for the administration of the RRF. Entities eligible for grants under the RRF have been waiting in anticipation to receive guidance on how the RRF's application process will operate.

### **SBA Announces Guidance**

On April 17, 2021, the SBA released a live webpage to guide eligible entities through the RRF's application process. The website includes a program guide, which lays out extensive information regarding who is an eligible entity, how eligible entities calculate their grant amount, how to apply for a grant, and the eligible uses for the funds granted. The SBA provided a sample application form so applicants can be prepared to apply as soon as the application period opens on May 3, 2021.

While the RRF will prioritize grants over the first 21 days to eligible entities owned and controlled by women, veterans, and socially and economically disadvantaged people, the SBA recommends that all eligible applicants apply the first day the application period opens because demand will be extremely high.

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## How to Apply

Eligible entities can apply in three different ways: (i) through an SBA-recognized Point of Sale Restaurant Partner, (ii) through SBA directly at [restaurants.sba.gov](https://restaurants.sba.gov), or (iii) through calling (844) 279-8898. Applicants must first prove their status as an eligible entity. Inns, bakeries, brewpubs, tasting rooms, taprooms, breweries, microbreweries, wineries, and distilleries must now prove that at least 33% of their 2019 gross receipts came from onsite sales of food and beverage to the public.

Eligible entities are not required to register with the federal government's System for Award Management (SAM), nor receive a Commercial and Government Entity Code (CAGE) or Data Universal Numbering System (DUNS) identifier. These requirements are typical with government funding programs and their absence in the RRF's application process represents SBA's commitment to streamline the administration of the RRF.

The SBA also announced what documentation would be required beyond the SBA form application. Entities must verify tax information through an IRS Form 4506-T, completed and signed by the applicant. Applicants may complete the form digitally on the SBA platform. The grant amount an applicant will receive depends on its pandemic-related revenue loss, calculated either by using its gross receipts or its eligible expenses, as explained in our last alert on the RRF.

The following documents may be used to demonstrate gross receipts or eligible expenses:

- Business tax returns (IRS Form 1120 or IRS 1120-S)
- IRS Forms 1040 Schedule C; IRS Forms 1040 Schedule F
- For a partnership: partnership's IRS Form 1065 (including K-1s)
- Bank statements
- Externally or internally prepared financial statements such as Income Statements or Profit and Loss Statements
- Point of sale report(s), including IRS Form 1099-K

The SBA also announced that for the purposes of the RRF, gross receipts do not include:

- Amounts received from Paycheck Protection Program (PPP) loans (First or Second Draw)
- Amounts received from Economic Injury Disaster Loans (EIDL)
- Advances on EIDL (EIDL Advance and Targeted EIDL Advance)
- State and local grants (via CARES Act or otherwise)
- SBA Section 1112 payments

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## **Fund Allocation and Use**

After the 21-day priority period, the SBA will administer the RRF to eligible applicants in the order the applications are received and approved. The SBA will continue until the exhaustion of the RRF's \$28.6 billion. The RRF will set aside \$5 billion for applicants with 2019 gross receipts of not more than \$500,000. An additional \$4 billion is set aside for applicants with 2019 gross receipts from \$500,001 to \$1,500,000. Lastly, an additional \$500 million is set aside for applicants with 2019 gross receipts of not more than \$50,000. The SBA can reallocate these funds at the discretion of the Administrator of the SBA.

The minimum grant an applicant will receive is \$1,000 and the maximum is \$10 million total for the applicant and any affiliated businesses or \$5 million per physical location. Recipients are not obligated to repay the grant amount so long as they spend the funds on eligible uses no later than March 11, 2023. SBA provides the list of eligible uses on their website, which mainly includes costs or losses directly attributable to the COVID-19 pandemic.

## **Application Period**

The SBA also announced on April 17, 2021 that over the coming two weeks, it would establish a seven-day pilot period for the RRF's application portal and conduct outreach and training. The SBA's goal is to avoid the technical issues that occurred during the launch of the Shuttered Venue Operators Program (SVOG) on April 8, 2021.

Unlike the SVOG, the RRF's application process will operate directly with a restaurant's point-of-sale (POS) system. On April 22, 2021, the SBA announced its partnership with POS service providers Colver, NCR Corporation, Square, and ToastTab to allow eligible restaurants and related businesses to access the RRF application or data they need to complete the application.

On April 27, 2021, the SBA announced that it will begin registrations on Friday, April 30, 2021, at 9 a.m. EDT and open applications on Monday, May 3, 2021, at noon EDT for the RRF. The online application will remain open for eligible entities until all funds are exhausted. The SBA has posted all the guidance previously discussed on their webpage dedicated to the RRF linked here.