

Governor Newsom Announces Immediate Assistance for Businesses Impacted by COVID-19 Including Temporary Tax Relief and \$500 Million in Grants

Billions in immediate, temporary tax relief will support businesses impacted by COVID-19, including an automatic three-month extension for taxpayers filing less than \$1 million in sales tax and interest-free payment agreements to larger companies with up to \$5 million in sales tax and expanded interest-free payment options for larger businesses particularly affected by significant restrictions on operations based on COVID-19 transmissions.

In partnership with the Legislature, California will provide \$500 million in new COVID-19 Relief Grant funding for small businesses.

Additional \$12.5 million added to the [California Rebuilding Fund](#) launched last week

SACRAMENTO – As the federal government fails to provide additional financial stimulus support to main street businesses, Governor Gavin Newsom today announced that California will provide temporary tax relief for eligible businesses impacted by COVID-19 restrictions. The temporary tax relief entails an automatic three-month income tax extension for taxpayers filing less than \$1 million in sales tax, extends the availability of existing interest and penalty-free payment agreements to companies with up to \$5 million in taxable sales and provides expanded interest free payment options for larger businesses particularly affected by significant restrictions on operations based on COVID-19 transmissions. The total tax relief, if fully utilized, is estimated to have billions in impact. These efforts are informed by recommendations made by the Governor’s Task Force on Business and Jobs Recovery.

“California’s small businesses embody the best of the California Dream and we can’t let this pandemic take that away,” said Governor Newsom. “We have to lead with health to reopen our economy safely and sustainably while doing all we can to keep our small businesses afloat. With this financial assistance and tax relief, California is stepping up where the federal government isn’t. By providing potentially billions in immediate relief and support, our small businesses can weather the next month as we continue partnering with the Legislature to secure additional funding and investments in small businesses in the new year.”

Small businesses are drivers of economic growth – creating two-thirds of new jobs and employing nearly half of all private sector employees. California is home to 4.1 million small businesses, representing 99.8 percent of all businesses in the state and employing 7.2 million workers in California, or 48.5 percent of the state’s total workforce.

The COVID-19 pandemic has presented a significant challenge to small businesses, employers and employees. An August [Small Business Majority](#) survey data found that 44% of small businesses are at risk of shutting down. Data released through the [Census Current Population Survey](#) found that minority-owned businesses are disproportionately impacted: the number of active businesses owned by African-Americans dropped by 41%, Latinx by 32%, Asians by 25%, and immigrants by 36%.

“California’s small businesses continue to struggle as a result of COVID-19, and this latest round of action at the state level will help bridge the financial gaps that are vexing our state’s mom-and-pop business owners and nonprofits while we wait for congressional action, and as we prepare for additional legislative action at the start of the year,” said Senate President pro Tempore Toni G. Atkins (D-San Diego). “From widening access

to grants, low-interest loans, and tax deferrals, to modifying fees incurred by restaurants and bars, these are critical supports for the small businesses and services that keep our communities going. Now, we need our federal partners to do their part and pass a federal stimulus so these businesses and nonprofits can survive 2020 and the year to come.”

“While we wait for Congress and the White House to approve an economic relief package that responds to the current surge, California has a chance to help nonprofits, small businesses, and communities now,” said Assembly Speaker Anthony Rendon (D-Lakewood). “I thank the Governor and the Senate for their partnership.”

Today’s announcements build on the state’s ongoing business support throughout the pandemic, including the Main Street Hiring Tax Credit, which authorizes \$100 million in hiring tax credit for qualified small businesses. The credit is equal to \$1,000 per qualified employee, up to \$100,000 for each small business employer. Existing state support for businesses can be found [here](#).

Building on the state’s ongoing support throughout the pandemic, which can be found [here](#), the Governor announced the following immediate support and relief:

Tax Relief for Businesses Impacted by COVID-19

In April 2020, the Governor, through Executive Order, allowed taxpayers to apply for penalty and interest relief for 90 days for any taxpayer reporting less than \$1 million in sales on their tax return. Through November 22nd, some 9,287 plans with almost \$149 million in tax relief have taken advantage of this program.

The Governor will direct the California Department of Tax and Fee Administration to do the following:

- Provide an automatic three-month extension for taxpayers filing less than \$1 million in sales tax on the return and extend the availability existing interest and penalty free payment agreements to companies (with up to \$5 million in taxable sales)
- Broaden opportunities for more businesses to enter into interest-free payment arrangements.
- Expand interest-free payment options for larger businesses particularly affected by significant restrictions on operations based on COVID-19 transmissions.

\$500 Million for New COVID Relief Grant for Small Business

The Governor announced the creation of a \$500 million COVID Relief Grant administered by the California Office of the Small Business Advocate (CalOSBA) at the Governor’s Office of Business and Economic Development for small businesses that have been impacted by COVID and the health and safety restrictions. Funds would be awarded to selected intermediaries with established networks of Community Development Financial Institutions to distribute relief through grants of up to \$25,000 to underserved micro and small businesses throughout the state by early 2021. Non-profits would also be eligible for these grants. CalOSBA is establishing the program and will make it available to small businesses as soon as possible – for updates on availability visit [here](#).

Increase Funding for the California Rebuilding Fund by \$12.5 million.

Last week, the Governor announced the opening of the California Rebuilding Fund which makes available \$25 million to help impacted small businesses rebuild from the economic crisis and keep local economies strong. This program is built to be a resource in the market for the next year as businesses pivot and recover.

An increase of \$12.5 million would allow the Fund to be fully capitalized. The additional funding will help the 3rd party administrator of the fund raise \$125 million to make more low-interest loans to small businesses with less access to loans from traditional banking institutions.

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APPLICATION ROUNDS

Deadlines

ROUND 1

- Application Opens **December 30, 2020** at 8:00 AM PST
- Application Closes **January 8, 2021** at 11:59 PM PST
- Start of Approval Notifications January 13, 2021

Applicants who submitted their application and submitted all documentation in the first round do not need to reapply; qualified applications will be automatically rolled over into the next funding round for consideration.

ROUND 2

- Application Opens TBD
- Application Closes TBD
- Start of Approval Notifications TBD

Round 2 is the final application window for the Program. Grant awards for businesses in the second application window will be made in two decision rounds for funding.

Information

Get your documentation in order to be prepared to apply when the application window opens.

Necessary documents :

1. Application Certification: Signed certification used to certify your business
2. Business Financial Information:
 - a. Most recent tax return filed (2019 or 2018) – provided in an electronic form for online upload, such as PDF/JPEG or other approved upload format.
 - b. Copy of official filing with the California Secretary of State, if applicable, or local municipality for the business such as one of the following: Articles of Incorporation, Certificate of Organization, Fictitious Name of Registration or Government-Issued Business License.
3. Government Issued Photo ID: Such as a Driver's License or Passport

One complete application will qualify you to be considered for both rounds, please only apply once.

Applying through multiple organizations will delay your application from being processed.

Owners of multiple businesses, franchises, locations, etc. will be considered for only one grant and are required to apply for the business with the highest revenue.

GRANT AMOUNTS

The amount of grant funding ranges from \$5,000 to \$25,000. Businesses are eligible based on their annual revenue as documented in their most recent tax return:

Eligible Businesses Annual Revenue	Grant Amount Available Per Business
\$1,000 to \$100,000	\$5,000
Greater than \$100,000 up to \$1,000,000	\$15,000
Greater than \$1,000,000 up to \$2,500,000	\$25,000

Eligibility

A small business or small nonprofit must satisfy the following criteria to be eligible to receive a grant award:

1. Must meet the definition of an “eligible small business”. An “eligible small business” means (i) a “small business” (sole proprietor, independent contractor, 1099 work, and or registered “for-profit” business entity (e.g., C-corporation, S-corporation, limited liability company, partnership) that has yearly gross revenue of \$2.5 million or less (but at least \$1,000 in yearly gross revenue) based on most recently filed tax return) or (ii) a “small nonprofit” (registered 501(c)(3) or 501(c)(6) nonprofit entity having yearly gross revenue of \$2.5 million or less (but at least \$1,000 in yearly gross revenue) based on most recently filed Form 990)
2. Active businesses or nonprofits operating since at least June 1, 2019
3. Businesses must currently be operating or have a clear plan to re-open once the State of California permits re-opening of the business
4. Business must be impacted by COVID-19 and the health and safety restrictions such as business interruptions or business closures incurred as a result of the COVID-19 pandemic
5. Business must be able to provide organizing documents including 2018 or 2019 tax returns or Form 990s, copy of official filing with the California Secretary of State, if applicable, or local municipality for the business such as one of the following: Articles of Incorporation, Certificate of Organization, Fictitious Name of Registration or Government-Issued Business License
6. Business must be able to provide acceptable form of government-issued photo ID
7. Applicants with multiple business entities, franchises, locations, etc. are not eligible for multiple grants and are only allowed to apply once using their eligible small business with the highest revenue

Ineligible Businesses

- 1.** Businesses without a physical location in California
- 2.** Nonprofit businesses not registered as either a 501(c)(3) or 501(c)(6)
- 3.** Government entities (other than Native American tribes) or elected official offices
- 4.** Businesses primarily engaged in political or lobbying activities (regardless of whether such entities qualify as a 501(c)(3) or 501(c)(6))
- 5.** Passive businesses, investment companies and investors who file a Schedule E on their personal tax returns
- 6.** Churches and other religious institutions (regardless of whether such entities qualify as a 501(c)(3) or 501(c)(6))
- 7.** Financial businesses primarily engaged in the business of lending, such as banks, finance companies and factoring companies
- 8.** Businesses engaged in any activity that is illegal under federal, state or local law
- 9.** Businesses of a prurient sexual nature, including businesses which present live performances of a prurient sexual nature and businesses which derive directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature
- 10.** Businesses engaged in any socially undesirable activity or activity that may be considered predatory in nature such as rent-to-own businesses and check cashing businesses
- 11.** Businesses that restrict patronage for any reason other than capacity
- 12.** Speculative businesses
- 13.** Businesses of which any owner of greater than 10% of the equity interest in it (i) has within the prior three-years been convicted of or had a civil judgment rendered against such owner, or has had commenced any form of parole or probation (including probation before judgment), for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; violation of federal or state anti-trust or procurement statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property, or (ii) is presently indicted for or otherwise criminally or civilly charged by a government entity, (federal, state or local) with commission of any of the offenses enumerated in subparagraph (i) above
- 14.** “Affiliated” companies (as such term is defined in 13 C.F.R. § 121.103)
- 15.** Multiple business entities, franchises, locations, etc. are not eligible for multiple grants and are only allowed to apply once using their eligible small business with the highest revenue

How will grant recipients be determined?

First, applications will be reviewed to determine whether the applicant meets the eligibility requirements. Eligible businesses will then be scored based on COVID-19 impact factors incorporated into the Program's priority criteria so that distribution can take into account priority key factors, including the following:

- 1.** Geographic distribution based on COVID-19 health and safety restrictions following California's Blueprint for a Safer Economy and county status and the new Regional Stay At Home Order;
- 2.** Industry sectors most impacted by the pandemic; and
- 3.** Underserved small business groups served by the State supported network of small business centers (i.e., businesses majority owned and run on a daily basis by women, minorities/persons of color, veterans and businesses located in low-to-moderate income and rural communities).