

The Importance of Providing Assistance For Businesses Opening After 2/15/2020

Presented to House Committee on Commerce and Economic Development
February 2, 2021
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Generally, Vermont has avoided the widespread and systemic restaurant / hospitality failures that other states have experienced.

- That's not to say we haven't lost some businesses, that our restaurant and hospitality industries are not extremely fragile and that they won't need additional assistance and financial support for the foreseeable future.
- They will need additional financial support and close monitoring through 2021. Conditions change quickly.
- They have shown incredible resiliency and creativity in adapting first to outside dining and curbside pickup (early months....May/June, 2020), then reestablishing limited indoor seating (October/November, 2020).
- They organized, collaborated and supported one another.
- They stayed in contact and partnered with the Administration, Legislature, DoH and ACCD, and provided valuable, constant updates about the state of their industries.
- They worked quickly to take advantage of and maximize available business support programs.
- ***Most importantly***, the Administration and Legislature acted quickly in providing additional assistance (CARES) in the form of \$300m in direct assistance. That's a credit to healthy working relationship between the Executive and Legislative branches in Vermont. Other states reacted too slowly or not at all.

A Look Back At The Executive / Legislative Partnership

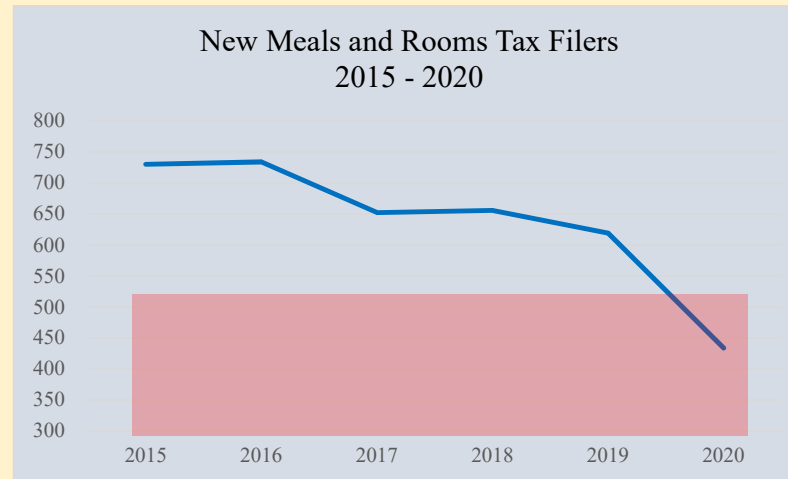
- From the outside looking in, the collaboration between Vermont's Executive and Legislative Branches served Vermont's small business community extremely well.
- The Executive Branch successfully conveyed the urgency of deploying funds to Vermont's businesses and focused appropriately on our tourism (restaurant/hospitality/arts venue) industries.
- The Legislative Branch recognized the urgency and deployed >\$300m in assistance to Vermont's small business community. In retrospect, the quick deployment of funds avoided widespread business failure.
- While the formula took some time to develop, the Executive Branch responded with a (largely) revenue-based distribution formula (using tax reporting data) that worked well.
- The two-step distribution system (a smaller award initially, followed by a larger final award in Q4-20), turned out to be incredibly fortuitous. It provided a some working capital in Q3-20, but retained the larger award until Q4-20, when the need for working capital was much greater. Incidentally, this approach also retained PPP 2.0 (with its 25% income reduction threshold) eligibility for our small businesses (although we didn't know this at the time).

THESE ARE THE PROGRAMS THAT HAVE KEPT OUR SMALL BUSINESSES VIABLE

- **CARES / PPP 1.0** – April, 2020 – June, 2020
- **Vermont Economic Recovery Grants (VERG 1.0)** – June, 2020 – September, 2020 (Also the outdoor dining / outdoor recreation experience)
- **Vermont Economic Recovery Grants (VERG 2.0)** – October, 2020 – December, 2020 (Things got significantly more challenging in October, as outdoor dining and experiences curtailed).
- **CAA21 / PPP 2.0 / Expanded EIDL** – January, 2021 – March, 2021
- **ERTC / FFCRA Tax Credits** – June, 2020 – December, 2020. ERTC greatly expanded through CAA21.

FOR BUSINESSES OPENING AFTER 2/15/20, PPP IS NOT AVAILABLE. ERTC IS NOT AVAILABLE. EIDL IS CLOSE TO IMPOSSIBLE, AS BUSINESSES STRUGGLE WITH “ECONOMIC NEED” (NOTHING TO COMPARE TO). FFCRA IS AVAILABLE, BUT PROVIDES LITTLE BENEFIT.

IN SUMMARY, FOR SMALL BUSINESSES THAT OPENED AFTER 2/15/20, THERE'S LITTLE ASSISTANCE AVAILABLE



- 430 New M & R filers registered with the Vermont Department of Taxes in 2020. This is a **29.89%** decrease when compared to 2019. We haven't seen a 30% decrease in new M & R filers in a while (I only checked 10 years). The data for 2021 (January, 2021 v. January, 2020) indicates a **67.74%** decrease in new M & R tax filers. While this very early (one month of data) decrease is concerning, we have to remember it's only one month. If this trends holds, we'd register roughly 130 new meals and rooms tax filers in 2021. I don't believe it will.
- The "Red Zone" indicates a recessive economy. Hitting the "Red Zone" isn't recession driven, it's COVID driven. But we need to (in my opinion) provide assistance for these businesses.

COMPARING PPP 2.0 TO THIS PROGRAM



- PPP 2.0 has loaned 72bn through 1/31/2021(25% of \$284bn). 2,721 Vermont businesses have been loaned \$240m (an average loan sized of \$88k). The intent to target small businesses appears to be working. But not for businesses that opened after 2/15/20.
- $\$10,000,000 / 430 = \$23,255.81$ per business.

THE NEED AND THE RETURN

THIRD QUARTER MEALS AND ROOMS TAX STATISTICS				
	2020	2019	Change	% Change
Meals	246,203,066	335,497,335	(89,294,269)	-26.62%
Rooms	116,635,755	190,710,766	(74,075,011)	-38.84%
Alcohol	32,019,079	66,187,406	(34,168,327)	-51.62%
			<u>(197,537,607)</u>	

- The declines above represent what our restaurants and hospitality industries have called “the good months” (July, August and September). 4th quarter is not yet available. I believe the declines will be 35%, 40% and 65%, respectively in the 4th quarter. I believe Q1-2021 will be similar. This is anecdotal based upon industry estimates of declines.
- 430 businesses grossing \$500,000 annually in revenue collect and remit roughly \$19,350,000 in general fund tax revenue (430 x \$500k x 9.0%). Assuming these 430 businesses receive no assistance and experience a 50% failure rate, we experience a \$9,675,000.00 decline in revenue. Assuming 50% of the business shifts to other establishments, the decline reduces to \$4,837,500. Assuming a \$10,000,000 injection reduces the attrition rate by 60%, the program “repays” the general fund (in the form of retained tax revenue) in approximately three years.

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Thank You & Questions