



Rhode Island Department of Revenue

Division of Taxation

PUBLICATION 2020-06
TAX ADMINISTRATION

INFORMATION FOR TAXPAYERS AND TAX PROFESSIONALS
NOVEMBER 25, 2020

FAQs on grants for businesses subject to new virus-related restrictions

Division provides further details on grants of up to \$50,000 for affected entities

PROVIDENCE — The Rhode Island Division of Taxation provides the following information regarding the new grant program announced on November 25, 2020 by Governor Gina M. Raimondo to assist businesses directly affected by the new restrictions imposed by the Governor's Executive Order - "Rhode Island on Pause".

Governor Raimondo announced the Rhode Island on Pause (Pause) restrictions, which are effective November 30th through December 13th, to help slow the spread of coronavirus (COVID-19) infections, which have been on the increase throughout much of the world in recent weeks.

The State of Rhode Island understands that businesses will be impacted by these restrictions and more broadly by the pandemic.

The State is therefore providing this grant program to assist businesses directly affected by the restrictions imposed as part of the Pause.

This document is an informal, plain-language summary of the grant program available for certain businesses that are subject to pandemic-related restrictions described in Rhode Island Governor Gina M. Raimondo's Executive Order - Rhode Island on Pause. It is not a substitute for State of Rhode Island statutes, regulations, or other official statements.

Q: What is the new grant program about?

It is intended to provide needed financial assistance to certain businesses directly affected by the Pause restrictions lasting from November 30, 2020 through December 13, 2020.

Q: Which industries are eligible for the new grant program?

The grants are for the following businesses that are directly affected by the new pandemic-related restrictions during the Pause:

- Restaurant or Bar
- Caterer
- Food Truck
- Indoor Recreation or Entertainment Establishment, as follows:
 - Indoor entertainment establishment (e.g. movie theater, comedy club, performing arts venue/organization)
 - Indoor recreation (e.g. arcade, bowling center, pool/billiard hall, escape-the-room, trampoline park, roller-skating rink)
 - Indoor spectator sports venue

- Other Indoor Recreation or Entertainment Venue
- Gym or Fitness Center, as follows:
 - Gym/athletic club/exercise center/health club
 - Sports facility (tennis club/racquetball club/hockey rink/swimming facility)
 - Fitness instruction center (e.g. aerobics, dance, yoga, karate, etc.)
 - Other Gym or Fitness Center
- Event Support Professionals impacted by the Pause whose primary source of income (more than 50%) is event-related, including only photographers, videographers, florists, limo services, event planners, event rentals, performers, convention and trade show organizers, hair and make-up professionals.

Businesses and industries **ineligible** for the grant program include, but are not limited to: casinos; retail (including grocery stores); personal services; offices or service-based industries (such as janitorial services, veterinarians, etc.); child care and healthcare facilities; museums and historical sites; manufacturing and construction; municipalities and other public entities; and Houses of Worship.

Q: I'm a restaurant or gym, or other business, that is a part of a national or regional franchise. Am I eligible?

In order to be eligible, the applicant business must not be owned by the national or regional franchisor or chain OR be owned by an entity that is not headquartered in Rhode Island.

Ex. of Eligible Business: A restaurant is a franchisee of a national chain, but the owner is a Rhode Island business entity not the national franchisor

Ex. of Ineligible Business: A gym is part of a regional franchise and is owned by a business entity headquartered outside of Rhode Island

Q: I have multiple locations. Do I need to submit multiple applications?

No. Each taxpayer, regardless of the number of locations, submits one application and is eligible for one grant. In other words, there will be one award per entity, regardless of how many locations an entity may have.

Q: In addition to business within an eligible industry, what other requirements must I meet to be considered for an award?

To qualify for a grant, your business must meet all of the following requirements:

- Your business must be a current business in operation (i.e. has not permanently closed) and that will experience or has experienced business interruption and revenue loss as the direct result of the Governor's Executive Order– Rhode Island on Pause;
- Your business **cannot** currently be in federal bankruptcy or state receivership proceedings and must have no present plans to file for bankruptcy or receivership;
- Your business must intend to continue or resume operations after the lifting of the restrictions in the Governor's Executive Order - "Rhode Island on Pause";
- Your business must be a tax filer in the state of Rhode Island; and

- Your business must be a qualified business subject to the Governor's Executive Order - "Rhode Island on Pause".

Q: I applied for or received a Restore RI grant, a Business Adaptation grant, or a HArT grant through the RI Commerce Corporation or a Paycheck Protection Program (PPP) loan or an Economic Injury Disaster Loan (EIDL). Am I eligible for this program?

With one exception noted below, an applicant who has applied for or been awarded any of these grants is eligible for this program; however, if awarded any of these grants and a grant for this program, the applicant must ensure that funds made available from this program are used for different costs from the funds received through any other coronavirus grants awarded. The applicant will need to retain documentation showing the applicant used the funds from this program for different costs from the costs it covered with the funds received through other coronavirus grants.

An applicant who has applied for or been awarded a Business Adaptation or HArT grant will need to provide additional documentation verifying eligibility, including demonstrating that the business is not planning to exit an eligible industry under this program by utilizing grant funds from a Business Adaptation or HArT award.

Q: If I have a business and I don't meet the above eligibility requirements, is there help for me?

The Rhode Island Commerce Corporation has additional programs that may be of help to you. Please see <https://commerceri.com/>, call 1-401-521-HELP (1-401-521-4357), or email: info@commerceri.com.

Q: Are nonprofits eligible for this money?

If they fall in the category of eligible businesses and are also a nonprofit, they are eligible.

Q: Are these loans or grants?

They are grants. There is no requirement to pay back the money if it is used for eligible purposes. The grants are intended to aid certain businesses affected by the pandemic. However, there are limits and restrictions, as further described in this publication.

Q: Is the application form online or on paper?

It is an online application.

Q: How do I apply?

The Division has created a webpage that includes information about the new grant program, which will include a link to the online application form, which will be posted on Friday, November 27th : <http://www.tax.ri.gov/RlonPause>. (Please see screenshot on next page.)

GRANT PROGRAM FOR RHODE ISLAND ON PAUSE



Grants will range in amounts from \$500 to \$50,000.

Don't miss out -
APPLICATIONS WILL
BE ACCEPTED
STARTING FRIDAY,
NOVEMBER 27!

Grant Program Eligibility and Requirements

On November 25, 2020 Governor Gina Raimondo announced the Grant Program for Rhode Island on Pause for businesses affected by Governor's Executive Order - Rhode Island on Pause which imposes further restrictions intended to slow the spread of the coronavirus.

This Grant Program for Rhode Island on Pause ("Pause") is aimed at two groups of businesses directly impacted by the restrictions and the coronavirus pandemic.

The state is providing these grants to businesses to use for the following purposes:

Important Information

- FAQs
- Advisory
- Governor's Executive Order

Don't meet the criteria for this grant program yet

Q: How soon can I apply, and what is the application deadline?

You may apply starting November 27, 2020, using the online application which will be posted on that date at: <http://www.tax.ri.gov/RlonPause>.

The application deadline is December 11, 2020.

Q: What must the money be used for?

If you qualify for a grant, you must spend the money on operational costs incurred this year, in particular costs that enable you to remain open through the Pause or, if you cannot remain open, to facilitate reopening as quickly as possible after the Pause.

- ✓ The State encourages all businesses to avoid layoffs or furloughs and continue paying employees to the greatest extent feasible. The money may be used to continue to pay employees.

Q: If I qualify for the grant, how much will I receive?

Each such grant will range from a minimum of \$500 to a maximum of \$50,000.

Q: How will each grant be calculated?

There will be a grant calculator on the Division's website to approximate the amount of the grant for qualified businesses.

For the grants issued to restaurants, bars, caterers, or food trucks, the grant will be determined by multiplying two figures: the percentage of sales lost in May 2020 compared to May 2019 and the gross sales calculated by using the sales tax plus meals and beverage tax paid for the period of September 2020. If that amount is less than \$500, the grant amount will be \$500; if that amount is greater than \$50,000, the grant amount will be \$50,000.

For all other qualified businesses, the grant amount will be determined by 4% of 2019 reported Rhode Island Net Taxable Income. If that amount is less than \$500, the grant amount will be \$500; if that amount is greater than \$50,000, the grant amount will be \$50,000. If a business did not start until after January 1, 2020, then the RI Net Taxable Income should be reported as income this year up to and including October 31, 2020.

Q: When will the checks be mailed?

Within two weeks from the date the application has been received (assuming that you have filed a complete and accurate application and you qualify for the grant).

Q: Where will my check be sent?

It will be mailed to the address associated with the address for the entity.

Q: How will I receive my grant?

The Division will mail the grant in the same manner as it mails tax refunds; due to system requirements, your check will be labeled as a tax refund – but it is really a grant.

Q: Before I sit down to fill out the application online, what information should I gather so that I can file a complete and accurate application?

All businesses will be asked the following:

- Your full business name;
- Your federal employer identification number (FEIN)¹;
- Your Secretary of State ID number (if any);
- Your business mailing address;
- Your sales tax permit number (provide only one such number, even if you have multiple locations);
- The name of the authorized individual who is completing the application, as well as that person's title, phone number, and email address;
- Whether the business is a tax filer in the state of Rhode Island;
- What date the entity started doing business in the state of Rhode Island;
- How many employees the business had as of September 30, 2020 (including full-time, part-time, and on-leave employees);
- Whether the business has received an award, or has a pending application for an award, under Rhode Island's hotel, arts & tourism industries ("HArT") program, or Rhode Island's Business Adaptation grant program, through the Rhode Island Commerce Corporation;
- Whether the business is part of a regional or national franchise with one or more locations outside of the state of Rhode Island;² and
- The name of the industry in which the business primarily operates.

¹ If you do not have a federal identification number (FEIN), you will be asked to provide your full name and the last four digits of your Taxpayer Identification Number.

² If the business is part of a regional or national franchise with one or more locations outside the state of Rhode Island, you will be asked whether the applicant is owned in whole or in part by the franchisor or by an affiliated entity of the franchisor, and whether the applicant or the entity that owns the applicant has its headquarters in another state.

If your business is a restaurant, bar, caterer, or food truck, you will also be asked the following:

- The liquor license number (if applicable -- provide only the number associated with the sales tax permit number provided in your application);
- Whether the business filed and paid sales tax and meals and beverage tax for the month of September 2020 (and, if so, the amount as reported and paid in October 2020).

If your business is not a restaurant, bar, caterer, or food truck, you will also be asked the following:

- Your business's code number from the 2017 version of the North American Industry Classification System (also known as your "NAICS code" – use the following link for more information: <https://www.census.gov/eos/www/naics/>);
- Whether you started your business on or after January 1, 2020.

If you did not start your business on or after January 1, 2020, you will be asked for the amount of the business's Rhode Island net taxable income, sourced from your business, for tax year 2019. (The following table shows where, on the return you filed, to find the required information.)

Tax Return/Form	Rhode Island Net Taxable Income Line
1040	Page 1, line 7
1120C	Page 1, line 6
1120S	Page 1, line 6
1065	Page 1, line 6
1041	Page 2, line 33
1040C	Page 1, line 8
1040NR	Full-year NR – All Income from RI: Page 1, line 7 Full-year NR w/Income from outside of RI: Sch II, Column A, line 12 Part-year: Sch III, line 13
RI-PTE	Page 1, line 3

If you started the business in 2020, you'll be asked the date your business started operating in Rhode Island, as well as the amount of Rhode Island net taxable income, sourced from this business, determined from when your business started operating in Rhode Island up to, and including, October 31, 2020.

Q: How will I know if I qualify for a grant once my application is submitted?

If the Division is able to verify all information received and you qualify for a grant, the Division will mail you a check. Also, the Division may publish information online regarding those applicants that will be receiving a grant and will notify those applicants that do not qualify for a grant.

Q: What is the source of funds for the grant program?

The grant program will be paid for through federal funds that have been made available to the states for COVID-19 pandemic relief.

Q: Will the grants be treated as taxable income?

Yes. The grants will represent taxable income, per IRS guidance. The Division will mail recipients a Form 1099 in early 2021 showing the amount of their grant, which they will have to report as income on their tax returns for the 2020 tax year.

Q: Will a list be made public naming each applicant and the grant amount that each applicant received?

Yes. These are public funds, provided by taxpayers, and must be accounted for. The Division expects to post as soon as is practicable the list of businesses that receive grants.

Q: Earlier this month, Governor Raimondo announced a grant program for restaurants and bars with liquor licenses that were ordered to close earlier than usual because of the pandemic. Is that program still available? And can I apply for that program, as well as for the new program described in this publication?

You may apply for the early closure program, as well as for the new program described in this publication, assuming you qualify for both. Each program is independent of the other.

On November 5, 2020, Governor Raimondo announced a Coronavirus Relief Fund grant program for certain restaurants and bars, with liquor licenses, that were affected by Executive Order 20-95, which mandated an early shutdown for certain bars and restaurants. That program is still open, offering grants ranging from \$2,000 to \$10,000 for each business that qualifies. The application deadline for that program is December 15, 2020. For more information on that program, please use the following link: <http://www.tax.ri.gov/RICares/>.

Q: How can I get more information about the new grant program?

Call the Division at (401) 574-8484, from 8:30 a.m. to 3:30 p.m. business days, or email: Tax.Excise@tax.ri.gov. Keep in mind that the Division's office will be closed on Thursday, November 26, 2020, for the Thanksgiving holiday.

Q: May these FAQs be updated?

They may. As a result, you should check the Division's relief program webpage for updates: <http://www.tax.ri.gov/RlonPause/>