

COVID-19 Update

Presented by
The Franklin Partnership, LLC
Policy Resolution Group at Bracewell
May 8, 2020



Your Team in Washington, D.C.



Lobbying Firm – The Franklin Partnership, LLC

- Bi-partisan Washington, D.C.-based government relations firm
- Representing manufacturing industry since 2002
- Clients include: manufacturing associations, defense contractors, hospitals, cities



Strategic Communications Firm – Policy Resolution Group at Bracewell

- Wash, D.C.-based public affairs & strategic communications consultants
- Promote NTMA and PMA in print, digital and other media
- Support Franklin Partnership government relations efforts by designing and implementing coordinated strategic communications strategy
- Representing metalworking industry since 2003

Nothing contained in here shall be deemed legal advice.

Agenda

- State Reopening Guides
- CDC Healthy Business Guideline
- IRS Employee Retention Credit Decision
- IRS Wage Deduction Decision
- EIDL Agriculture Eligibility
- PPP Update
- New Legislative Proposals
- Questions

All information presented as of May 6, 2020

State Re-Opening Guide Posted

State-by-State Reopening

The following is a compilation of state actions regarding reopening businesses within the state. With stay-at-home or business closure orders set to expire in the coming days, governors are weighing whether to extend those orders or release plans to either lift or not renew the orders and allow for the limited reopening of businesses.

This resource will be updated as those plans are released.

Nothing contained herein shall be construed as legal advice and each entity should consult local and state laws as well as their own stakeholders, including legal counsel, before making a determination on business operations.

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State Re-Opening Guides

ILLINOIS

Regional State Partnership: Midwest (Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, Wisconsin).

Stay at Home order ends: May 30, 2020

Included in the order were new restrictions on manufacturers, including requirements to provide face coverings to employees who cannot practice social distancing, and limiting operations to "essential" lines of production. A press release associated with the announcement can be found [here](#). Language regarding manufacturing includes:

ESSENTIAL BUSINESSES AND MANUFACTURING: Essential businesses and manufacturers will be required to provide face-coverings to all employees who are not able to maintain six-feet of social distancing, as well as follow new requirements that maximize social distancing and prioritize the well-being of employees and customers. This will include occupancy limits for essential businesses and precautions such as staggering shifts and operating only essential lines for manufacturers.

The [order](#) lists safety requirements manufacturers may follow as part of the order, including:

- providing face coverings to all employees who are not able to maintain a minimum sixfoot social distance at all times;
- staggering shifts;
- reducing line speeds;
- operating only essential lines, while shutting down non-essential lines;
- ensuring that all spaces where employees may gather, including locker rooms and lunchrooms, allow for social distancing; and
- downsizing operations to the extent necessary to allow for social distancing and to provide a safe workplace in response to the COVID-19 emergency.

State Re-Opening Guides

INDIANA

Regional State Partnership: Midwest (Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, Wisconsin).

Stay at Home order ends: May 1, 2020

Gov. Holcomb provided [a multi-stage reopening plan](#) on May 1. In most counties, manufacturers, industrial and other infrastructure operations that had not been considered essential will be allowed to open May 4.

MASSACHUSETTS

Regional State Partnership: Northeast (Connecticut, Delaware, Massachusetts, New Jersey, New York, Pennsylvania & Rhode Island).

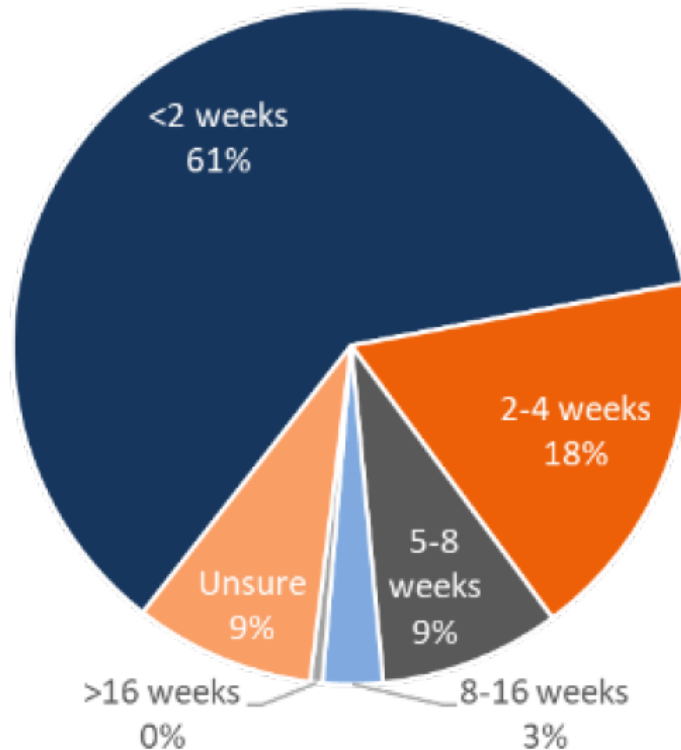
Stay at Home order ends: May 18, 2020

The state formed a [Reopening Advisory Board](#) that will provide a plan to Baker by May 18.

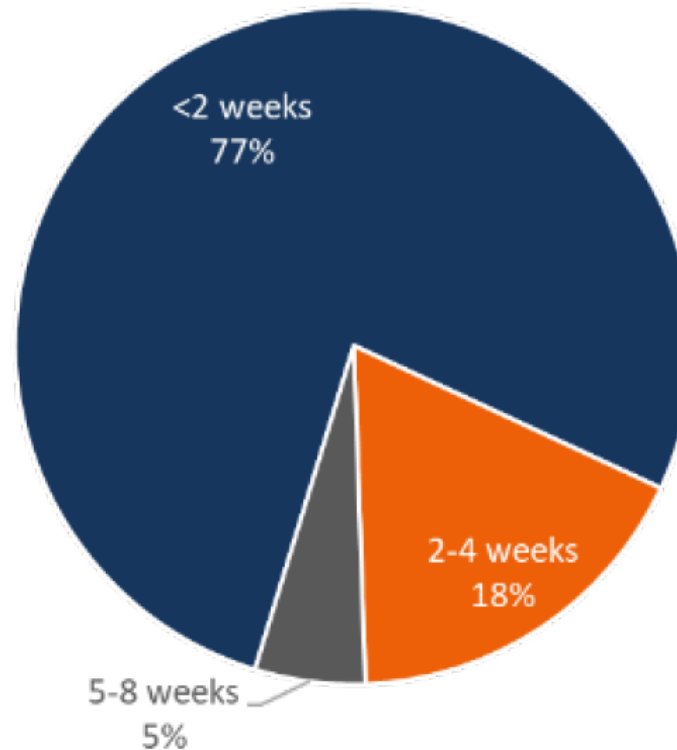
Next Steps on Reopening

Shops Underestimate Time to Recover

Tool Shop Time to Recover



Production Shop Time to Recover



- Most shops believe they will recover in less than 2 weeks
- This is concerning to HRI, this recovery will be long and the impacts in many cases are yet to be seen.

Responses between 4/8/2020 and 4/17/2020. Source: Harbour IQ.

CDC Maintain Healthy Business Guideline

Assess your essential functions and the reliance that others and the community have on your services or products.

- Be prepared to change your business practices if needed to maintain critical operations (e.g., identify alternative suppliers, prioritize existing customers, or temporarily suspend some of your operations if needed).
- Identify alternate supply chains for critical goods and services. Some good and services may be in higher demand or unavailable.
- Talk with companies that provide your business with contract or temporary employees about the importance of sick employees staying home and encourage them to develop non-punitive leave policies.
- Talk with business partners about your response plans. Share best practices with other businesses in your communities (especially those in your supply chain), chambers of commerce, and associations to improve community response efforts.

Determine how you will operate if absenteeism spikes from increases in sick employees, those who stay home to care for sick family members, and those who must stay home to watch their children if dismissed from [childcare programs and K-12 schools](#).

- Plan to monitor and respond to absenteeism at the workplace.
- Implement plans to continue your essential business functions in case you experience higher than usual absenteeism.
- Prepare to institute flexible workplace and leave policies.
- Cross-train employees to perform essential functions so the workplace can operate even if key employees are absent.

<https://www.cdc.gov/coronavirus/2019-ncov/community/guidance-business-response.html>

Advance Payment of Employer Credits Form 7200

Here are some common errors to avoid when filling out Form 7200:

- **Missing or inaccurate Employer Identification Number.** Each EIN should be exact. Taxpayers must complete this box.
- **Check only one box for the applicable calendar quarter.** Only one box should be checked for the correct quarter.
- **Check only one box for Part 1, Line A.**
- **Make sure to complete Part 1, Line B.** In Part 1, Line B check either Yes or No.
- **Complete Part II, Lines 1-8 using actual dollar amounts.** Part II should be completed using dollar amounts, not the number of eligible employees. All lines in Part II should be completed with an actual dollar amount.
- **Check the math.** Taxpayers should make sure they check the math on lines 4, 7 and 8.
- **Sign the form.** Taxpayers should remember to sign the form. Failure to sign the form will result in an automatic rejection.

<https://www.irs.gov/newsroom/common-errors-to-avoid-when-filing-for-advance-payment-of-employer-credits>

IRS Narrows Employee Retention Credit

Congress of the United States

Washington, DC 20515

May 4, 2020

The Honorable Steven T. Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Secretary Mnuchin,

We appreciate the Treasury Department's (Treasury) and Internal Revenue Service's (IRS) ongoing efforts to provide prompt guidance to implement the Coronavirus Aid, Relief, and Economic Security (CARES) Act. However, we have concerns with respect to recent guidance on the employee retention credit (retention credit).¹ Specifically, we disagree with the determination that employers who continue providing qualified health benefits to their employees do not qualify for the retention credit unless they continue paying other qualifying wages. As expressed previously to Treasury and the IRS, this interpretation runs directly counter to congressional intent.

<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-amount-of-allocable-qualified-health-plan-expenses-faqs>

PPP: Lobbying on Wage Deduction as an Expense

Congress of the United States

Washington, DC 20515

May 5, 2020

The Honorable Steven T. Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Secretary Mnuchin,

We continue to appreciate the guidance that the Treasury Department (Treasury) and the Internal Revenue Service (IRS) have issued to facilitate the implementation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Nevertheless, we are writing to express our concern with the position taken by Treasury and the IRS in Notice 2020-32, which is contrary to congressional intent.¹ Notice 2020-32 provides that otherwise deductible business expenses are not deductible if the taxpayer is the recipient of a Paycheck Protection Program (PPP) loan that is subsequently forgiven.² We believe the position taken in the Notice ignores the overarching intent of the PPP, as well as the specific intent of Congress to allow deductions in the case of PPP loan recipients.

The PPP was designed to provide critical relief to America's small businesses that are experiencing unprecedented economic disruption. The PPP was intended to provide a lifeline to allow these businesses to pay rent and keep employees on payroll, and to enable them to resume regular operations when it is safe to do so. Section 1106(i) of the CARES Act provides that a PPP loan recipient will not recognize taxable income if the loan is forgiven, in effect making the loan a tax-free grant. Additionally, as was expressed to Treasury during the development of the PPP, we did not intend to deny the deductibility of ordinary and necessary business expenses, nor did these small businesses expect to lose deductions for their business expenses when they applied for a PPP loan.

EIDL: Open to Agriculture Only

At this time, only agricultural business applications will be accepted due to limitations in funding availability and the unprecedented submission of applications already received. Applicants who have already submitted their applications will continue to be processed on a first-come, first-served basis. For agricultural businesses that submitted an EIDL application through the streamlined application portal prior to the legislative change, SBA will process these applications without the need for re-applying.

Eligible agricultural businesses may apply for the Loan Advance [here](#).

To apply for a disaster loan **unrelated** to COVID-19, [click here](#).

Rumors are SBA is limiting loans to \$150,000, not the \$2 million as required by Congress...

Added May 4, 2020

PPP Round 2 Status

Summary of Paycheck Protection Program Round 2 data as of 5:00 p.m. EDT, Tuesday, May 5, 2020.

Lender Size	Approved Loans	Approved Dollars
>\$50B in Assets	1,119,860	\$96,159,838,521
\$10 B to \$50 in Assets	339,110	\$27,702,389,935
<\$10 B in Assets	919,087	\$57,296,660,188
Total:	2,378,057	\$181,158,888,644
# of Participating Lenders	5,411	

PPP Forgiveness: Employee Declines Rehire Offer

40. **Question:** Will a borrower's PPP loan forgiveness amount (pursuant to section 1106 of the CARES Act and SBA's implementing rules and guidance) be reduced if the borrower laid off an employee, offered to rehire the same employee, but the employee declined the offer?

Answer: No. As an exercise of the Administrator's and the Secretary's authority under Section 1106(d)(6) of the CARES Act to prescribe regulations granting de minimis exemptions from the Act's limits on loan forgiveness, SBA and Treasury intend to issue an interim final rule excluding laid-off employees whom the borrower offered to rehire (for the same salary/wages and same number of hours) from the CARES Act's loan forgiveness reduction calculation. The interim final rule will specify that, to qualify for this exception, the borrower must have made a good faith, written offer of rehire, and the employee's rejection of that offer must be documented by the borrower. Employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

PPP Audits: Return Loan Deadline Now May 14

43. **Question:** FAQ #31 reminded borrowers to review carefully the required certification on the Borrower Application Form that “[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.” SBA guidance and regulations provide that any borrower who applied for a PPP loan prior to April 24, 2020 and repays the loan in full by May 7, 2020 will be deemed by SBA to have made the required certification in good faith. Is it possible for a borrower to obtain an extension of the May 7, 2020 repayment date?

Answer: SBA is extending the repayment date for this safe harbor to May 14, 2020. Borrowers do not need to apply for this extension. This extension will be promptly implemented through a revision to the SBA’s interim final rule providing the safe harbor. SBA intends to provide additional guidance on how it will review the certification prior to May 14, 2020.

Federal Government Enforcement

- The Justice Department launched review of the SBA PPP
- Treasury Department Inspector General to conduct of SBA lending programs
- SBA Inspector General's office started reviews of the PPP and EIDL on April 24
- Reviews expected to take at least 90 days, plan to release a "flash report" by May 8 comparing the SBA's rules and guidance under the PPP to what Congress actually passed
- Flash report in response to a separate congressional inquiry from Sens. Schumer (D-N.Y.), Cardin (D-Md.) and Brown (D-Ohio)
- Dept. of Labor investigated California business who will now pay an employee back wages for refusing to provide sick leave under Emergency Paid Sick Leave after healthcare provider advised employee to self-quarantine pending family member's test

Sens. Bennet, Young: Extend 8 Weeks to 16 Weeks

Part I: Fix to Existing PPP Covered Period/Forgiveness for Hardest-Hit Businesses

- Eligibility:
 - Non-publicly traded businesses that have received PPP assistance, with fewer than 500 employees.
 - Self-certify they have suffered revenue losses of more than 25% during the 8-week covered period under PPP, as compared to an 8-week period a year ago or the 8-week period that immediately preceded February 15, 2020.
- Benefit:
 - Eligible businesses may extend the 8-week covered period to 16 weeks.
 - This extension will not allow eligible businesses to borrow additional funds through PPP but would instead allow these businesses additional time to deploy existing PPP funds and to receive corresponding loan forgiveness.

Sens. Bennet-Young RESTART Program Proposal

Loan Terms/Amount/Eligibility:

- 7-year loan, capped at 45% of 2019 gross receipts up to \$10 million
- 100% federal guarantee for life of the loan
- Employment cap of 5,000, with streamlined procedures for <500 employee firms
- No cap on loan size based on multiple of payrolls
- Self-certify a revenue loss (25% year-over-year, for at least three-month period)
- Interest Rates/Payment Schedule:
 - No principal payments required for 2 years
 - Fixed interest rate for first 2 years with a maximum rate of 4%
 - No interest payments due for first 12 months
 - Payments of interest only for next 12 months
 - Interest rate for years 3 to 7 is the Applicable Federal Rate (AFR) plus a spread of 250 – 450 bps, based on revenue decline
- Restrictions on dividends/share buybacks/executive compensation for duration of loan with special rules for pass-thru entities.

Use of Funds:

- Businesses can borrow to pay costs for next 6 months, based on half of 2019 levels of:
 - Total payroll (up to \$100k per employee)
 - Employee benefits (for both current and furloughed employees)
 - Rent
 - Utilities
 - Mortgage payments on existing mortgages as of February 15, 2020
 - Other scheduled debt service, as of February 15, 2020

House Democrats Release Their Priorities

- State and local funding chief priority, at least \$500-800 billion
- Healthcare infrastructure
- Money for elections, including vote by mail
- Fix for DC treatment in funding formula
- Funds for US Postal Service
- PPE, testing, and tracing
- Individuals: direct payments; unemployment; hazard pay for essential workers; homeowner/renter assistance, etc.
- Business: changes to employee retention credit; PPP extension/reforms
- Businesses would lose eligibility for CARES Act funds if they earn more than 15 percent of their revenue from the “extraction, transport, storage, export, or refining of oil, natural gas, and coal.”



For Immediate Release

May 7, 2020

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Manufacturers Making a Difference: Manufacturers and the Fight Against COVID-19

Cleveland, OH - Members of the National Tooling & Machining Association (NTMA) and Precision Metalforming Association (PMA) are stepping up to meet the challenges created by the COVID-19 pandemic, and leading the way in displaying the true American spirit of joining together to make a difference. In addition to producing – without disruption - the tooling, machinery and parts that make up the backbone of the manufacturing supply chain and are essential to restarting America's economy, member companies are also working to help their communities, first responders, and the medical community in the fight against the virus.

In recent weeks, NTMA and PMA Members have converted their facilities to produce millions of face shields and other personal protective equipment (PPE), and make essential parts for ventilators and other medical supply equipment.

"We are extremely proud of how NTMA members are stepping up to help our country fight this pandemic," said NTMA President Roger Atkins. Every day, we receive new reports of our members doing extraordinary things to help their communities and others. It gives me tremendous hope that by working together we will defeat this terrible virus."

"It's truly inspiring to learn every day about new examples of PMA members contributing to the fight against COVID-19," said PMA President David Klotz. "Our member companies are integral members of their communities, and it's no surprise that they are stepping forward in this country's time of need."

A growing [list](#) of "Members Making a Difference" can be found on a COVID-19 resource page created by NTMA and PMA for its members at www.onevoiceinfo.org.

About One Voice: The National Tooling and Machining Association (NTMA) and Precision Metalforming Association (PMA) combined "One Voice" federal government advocacy program represents nearly 2,500 metalworking companies and is designed to promote U.S. government policies that will ensure a strong manufacturing sector in the United States. For additional information, please visit www.metalworkingadvocate.org

ONE VOICE COVID-19 RAPID RESPONSE WEBSITE



MEMBERS MAKING A DIFFERENCE



MEMBERS MAKING A DIFFERENCE

QUALTEK MANUFACTURING PRODUCING PARTS FOR VENTILATORS, OTHER CRITICAL MEDICAL EQUIPMENT

Qualtek Manufacturing Inc., has stepped up to help produce critical medical equipment amid the ongoing Coronavirus pandemic. Headquartered in Colorado Springs, CO, Qualtek is a metal stamping operation that typically builds parts for aerospace and medical devices. For now, the aerospace side of their business has been put on pause and instead the company is focusing on making respiratory-specific medical device parts. These items are desperately needed to help save the lives of people battling Coronavirus. One part being produced is the laryngoscope, used during intubation when a patient needs help breathing. "Normally we'd be making somewhere in the neighborhood of 800,000 a year. Now we're pacing to two million," says President Christopher Fagnant. Qualtek has also started building another ventilator part – a heat exchanger plate, which serves as the base of a humidification or oxygen chamber in a ventilator. This piece must be changed out patient to patient. Fagnant plans to produce 50,000 heat exchange plates by the end of June. Qualtek Manufacturing has not only been producing these critical parts, but also has added shifts, hired more employees and put other projects on pause to increase production. [Read more.](#)

P/A INDUSTRIES CREATES NEW LINE, PRODUCES METAL STRIPS FOR MASKS

After seeing a [news story](#) about a local fabricating shop producing metal nose strips for homemade face masks, Edward Morris, president of P/A Industries in Bloomfield, CT, took action. He knew that he could significantly increase the number of strips produced and contacted the fabricator. Within 24 hours, Morris and his team reengineered their machines, convinced a metal supplier to donate the first coils and started production.

All of the production was donated with the help of Erickson Metal, Hillery Company, and Marion Manufacturing. These metal nose strips are being shipped around the country to groups ranging from sewing clubs to health care organizations, from 45,000 in three weeks to 120,000 strips in 18 hours. Morris plans to make 400,000 metal strips and is recruiting other manufacturers to join in the effort. [See P/A's video here.](#)

AHAUS STEPS UP TO HELP WITH PPE DURING PANDEMIC

Ahaus Tool and Engineering, Inc. partnered this week with Primex Plastics to bring much-needed Personal Protective Equipment (PPE) to medical facilities. Ahaus, which traditionally manufactures workholding and automation solutions, has committed to assembling over 500,000 shields in the next few weeks. President and Co-Owner Kevin Ahaus is pleased with the opportunity. "Ahaus team members have jumped into this project to help make a difference," he said. "I am proud of the willingness of everyone here at Ahaus to help. This is a great team that cares about how they can do good things together." Jeff Sheridan, Vice President and Co-Owner said, "This is a big change of pace for our team as we normally

More Resources: www.onevoiceinfo.org

ONE VOICE COVID-19 RAPID RESPONSE WEBSITE

EMAIL:
ONEVOICE@POLICYRES.COM



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Questions?

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