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**Considerations for Potential
Growing MI Business/ABR Applicants**

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Today's Topics

- Background on Growing MI Business/ABR Grant Program
- Eligible Businesses
- Application Process and Award Timeline
- Award Calculation Methodology
- Use of Funds
- Concluding Thoughts

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Background on Growing MI Business / ABR Grant Program

- Recently rebranded from “Afflicted Business Relief” (or ABR) to “Growing MI Business” grant program
- Michigan Department of Treasury to administer the Program
 - Authorized by Public Act 132 of 2021 (December 2021)
 - Funded by \$409 million of Michigan’s ARPA appropriations
- Many of the Program’s features and requirements are defined in the State legislation that created the Program
 - As a result, Michigan Treasury Department has somewhat limited flexibility to accommodate individual circumstances that technically fall outside the Program’s legislative requirements

Eligible Businesses

Eligible Businesses

1. Your business must satisfy **all** of the following criteria:
 - Have a physical presence and conduct business operations in MI
 - Fall within one of nine eligible business categories
 - Is **not** tax exempt under the Internal Revenue Code (e.g., 501(c)(3)'s)
 - Is **not** a governmental entity
 - Is open for business at the time of its application
2. Your business must have experienced a decline in total **Michigan** sales between calendar year 2019 and 2020 equal to or greater than 5%
 - Alternative if you opened between Oct. 1, 2019 and May 31, 2020

There Are Nine Categories Of Eligible Businesses

1. Entertainment Venues
2. Recreational Facilities & Public Places of Amusement
3. Barbers and Cosmetologists
4. Exercise Facilities
5. Food Establishments
6. Nursery Dealers and Growers
7. Athletic Trainers
8. Body Art Facilities
9. Hotels/Bed & Breakfast Establishments
 - We will take a closer look at a few of these categories...

Entertainment Venues

- These businesses “infer the use of a facility for the purposes of spending time engaged as a spectator to a ticketed event”
- Eligible businesses that fall within this category include: auditoriums; arenas; banquet halls; cinemas; concert halls; conference centers; performance venues; sporting venues; stadia; and theaters
- If a business does not fall directly within one of the above subcategories, but nevertheless believes it qualifies, the business may apply under ‘Entertainment Venue: Other’
 - For example, a for-profit museum might qualify

Recreational Facilities & Public Places of Amusement

- These businesses “infer the use of a facility for purposes of spending time engaged in some identifiable leisure activity”
- Eligible businesses that fall within this category include: amusement parks; arcades; bingo halls; bowling alleys; casinos; nightclubs; skating rinks; water parks; and trampoline parks
- If a business does not fall directly within one of the above subcategories, but nevertheless believes it qualifies, it may apply under ‘Place of Public Amusement: Other’
 - For example, an axe-throwing or fowling facility might qualify

Exercise Facilities

- These businesses have a facility in which individuals participate in individual or group physical activity
- Eligible businesses that fall within this category include: gymnasia; fitness centers; and exercise studios
- If a business does not fall directly within one of the subcategories above, but nevertheless believes it qualifies, it may still apply under 'Exercise Facility: Other'
 - For example, a yoga studio might qualify

Food Establishments

- These businesses all have a facility in which food or drink is prepared for direct consumption through service on the premises or elsewhere, and any other eating or drinking establishment or operation where food is served or provided for the public
- Eligible businesses that fall within this category include: fixed or mobile restaurants; coffee shops; cafeterias; short order cafes; luncheonettes; grills; tearooms; sandwich shops; soda fountains; taverns; bars; cocktail lounge; nightclubs; drive-ins; industrial feeding establishments; private organizations serving the public; rental halls; catering kitchens; delis; theaters; commissaries; and food concessions

Other Considerations for Eligible Businesses

- To apply, an owner/applicant does not need to reside in MI
- Businesses with multiple locations, including nationwide, are eligible to apply
 - However, the grant award will be based only on sales and operations for the business location(s) in Michigan
- Some categories of eligible businesses must also provide evidence of their “license status” with the State of Michigan
 - For example, hotels, nursery dealers and growers, body art facilities, athletic trainers, barbers and cosmetologists must all provide evidence of their State licenses with their application submissions

Application Process and Award Timeline

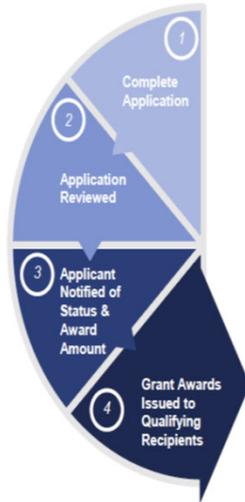
Application Process & Award Timelines

- **NOT** a “first-come, first-served” program
- MI Treasury will open an online application portal at 8am on March 1, 2022, which will remain open through midnight on March 31, 2022
 - No need to submit your application at 8:01am on March 1
 - However, no late applications will be accepted
- Consider beginning your application, saving your progress, but waiting to formally submit your application until later in the month in case there are new rules, clarifications or FAQs
- Application checklists available at www.michigan.gov/abr

Application Process & Award Timelines (Cont.)

- Businesses will need to complete an online application, provide thorough supporting documents and make various certifications
 - Consult your counsel and/or accountants if you are uncertain about any information/documentation requirements or certifications
- If you have sales in or to multiple states, remember that the program is focused on activities within Michigan, so you may need to do some work to isolate your “Michigan sales”
- The application process will include signing a “Beneficiary Agreement” that contains legally binding terms and conditions
 - Again, consult your counsel if you have concerns about this document

Application Process & Award Timelines (Cont.)



Dates	Activities
February 2022	Public information sessions held, detailed instructions on the web-based application, and step-by-step application instructions posted
March 1, 2022	Application opens at 8 a.m. through link published on Department of Treasury website - www.Michigan.gov/abr
March 31, 2022	Application window closes at 11:59 p.m. EDT March 31 No late applications will be accepted, as the web-based application will be locked at this date
April to May 2022	Application review, award determination, and proration of grant awards (if necessary)
June 2022	Applicants will be notified of their pending award, and the award amount
July 1, 2022	All payments will be issued via ACH Transfer prior to July 1, 2022
September 30, 2022	The Department of Treasury is to post a report of all awarded grants, pursuant to PA 132

Source: Michigan Department of Treasury

Other Tips for Navigating Application Process

- Monitor your email (including spam folders) for follow-up requests from MI Treasury following submission of application, especially during April and May while award applications are under review by the State
- If you do not respond to a follow-up information request or requirement within five (5) days, your application will be considered ineligible
- Be mindful of restrictions on “duplicate benefits”
 - Federal law prohibits ARPA funds from being used to compensate for the same economic loss twice

Award Calculation Methodology

Award Calculation Methodology

- For businesses in operation on 10/01/2019, the award calculation is a 4-step process:
 1. Calculate decline in total Michigan sales from 2019 to 2020
 - 2020 sales will be adjusted for those that received certain COVID relief, such as PPP forgiveness and/or Restaurant Revitalization Fund grants
 2. Calculate cap on applicant's "financial hardship" (i.e., award cap)
 3. Determine the grant award based on the outcome of steps 1 and 2
 4. Prorate all awards "equally" if the Program is over-subscribed
- For businesses beginning operation after 10/01/2019 but before 06/01/2020, the award calculation is a 3-step process:
 1. Calculate cap on applicant's "financial hardship" (i.e., award cap)
 2. Determine the grant award
 3. Prorate all awards "equally" if the Program is over-subscribed

Award Calculation Methodology (Cont.)

- Businesses beginning operation after 06/01/2020 are not eligible for ABR.
- Businesses not in operation on the application date are not eligible for ABR.
- Applicants need only provide the required information to MI Treasury's online application program, which will then make all necessary calculations automatically

Step 1: Calculate Decline in Total Michigan Sales From 2019 to 2020

- Calculate calendar year (CY) 2019 and 2020 Michigan sales
- Identify and offset select COVID-19 relief payments:
 - Paycheck Protection Program (PPP) loans forgiven
 - Restaurant Revitalization Fund Program relief received
 - Other COVID-19 related State and Federal aid (excluding ERTC/EIDL)
- Subtract CY 2020 total Michigan sales (including above adjustments) from CY 2019 total Michigan sales
- Verify the % decline in total Michigan sales is at least 5%

Step 2: Calculate Cap on “Financial Hardship”

- “Financial Hardship” is determined by the following five factors paid in CY 2020, in each case, to the extent applicable:
 - MI property tax paid (or 17% of lease costs paid by the business owner)
 - 50% of MI unemployment insurance taxes
 - The amount of on-premise retail liquor license fees
 - The amount of license-required inspection fees paid under the Michigan Food Inspection Law
 - The amount of any other business license or inspection fees
- The sum of the above payments is the “Award Cap,” which is the maximum potential grant for the applicant
 - However, no award may exceed \$5 million

Step 3: Determine Grant Award Based on Results of Steps 1 and 2 above

- The amount of an applicant’s grant is determined based on a combination of its decline in Michigan total sales and “financial hardship” as follows:

% Decline in 2019-2020 Michigan Total Sales	Grant Award
20% or more	100% of financial hardship
≥15% but <20%	75% of financial hardship
≥10% but <15%	50% of financial hardship
≥5% but <10%	25% of financial hardship

Step 4: Apply Proration to Awards (If Applicable)

- To the extent that the Program is “over-subscribed” – that is, there are eligible applications for more than \$409 million – each award will be prorated “equally” to ensure that all eligible applicants receive an award
- This is a statutory requirement and part of the reason why the program is not being administered on a “first-come, first-served” basis
 - While this approach results in a slower funding process than the PPP rollout, for example, it should mitigate the award “lottery” that some have experienced with some “first-come, first-served” programs

Award Calculation Methodology (Example): For Businesses in Operation on 10/1/2019

1. Calculate Percentage of Decline in 2020 Against 2019

2019 MI Sales	\$100,000
2020 MI Sales	\$50,000
Sum of COVID-19 Relief Payments	\$1,000
Adjusted 2020 MI Sales	\$51,000
Decline in 2020 MI Sales	$\$100,000 - \$51,000 = \$49,000$
Percentage of Decline	$(\$49,000 / \$100,000) = 49\%$

2. Calculate the Cap on Financial Hardship (Award Cap)

MI Property Tax Paid (or 17% of Lease Costs)	\$8,000
MI Unemployment Insurance Taxes	\$1,000
On-Premises Retail Liquor License Fees	\$500
Inspection Fees	\$500
Award Cap	\$10,000

3. Determine The Grant Award Based On The Outcome Of Steps 1 And 2

Percentage of Decline	Grant Award
≥20%	100% of Financial Hardship
≥15% to 20%	75% of Financial Hardship
≥10% to 15%	50% of Financial Hardship
≥5% to 10%	25% of Financial Hardship

4. Prorate All Awards “Equally” If The Program Is Over-subscribed

Percentage in Decline	49%
Financial Hardship	\$10,000
Grant Award	\$10,000 (100% of Financial Hardship)

Other Notes and Information

- If you started your business between Oct. 1 and May 31, 2020, then modified award calculation methodologies will apply, but the eligibility criteria are essentially the same
 - Evidently, no adjustments to year-over-year sales calculations will be made for applicants that opened between Jan. 1 and Sept. 30, 2019
- If you have multiple entities, it appears that each entity with a distinct EIN is eligible to submit an application
- There is a \$5 million hard cap on any individual award
- Award funds will – at least, for now – be reportable for both State and Federal tax purposes

Use of Funds

- Program funds are to be used to address a business' increased costs, reduced revenue or other economic effects attributable to the COVID-19 public health emergency
 - Much less prescriptive than the PPP forgivable uses
- Program funds may **not** be used to pay for personal costs, expenses or income
- Program funds also may **not** be used to compensate any increased costs, reduced revenue or expenses of the business that **have been or will be paid by any other government or private source of funds**

Concluding Remarks

- Many larger business may decide not to apply even if they are eligible, especially if their potential award amount is comparatively small
 - Avoid public disclosure of participation in Program
 - Avoid disclosure to MI Treasury of additional financial information
 - Avoid risks associated with certifications to State
- Many smaller businesses will face difficulties in applying due to financial information and, in some cases, licensing requirements
- Best-suited applicants are likely to be medium-sized businesses that experienced a significant decline in 2020 Michigan sales and have high fixed real estate and/or licensing costs, especially if they did not receive other stimulus funds (e.g., PPP, RRF) for any reason



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