naeyc National Association for the Education of Young Children

Navigating Relief

An Overview of the Help That May Be Available for Child Care Programs & Providers

FEBRUARY 2021

During the pandemic, child care providers have risen to meet an unparalleled and unprecedented challenge—providing safe, quality, affordable care in the midst of a global economic crisis and a never-before-seen virus. Thousands of providers in centers and family child care homes have done everything they can to stay open and continue serving their communities as their costs increased and their enrollments declined, including dipping into personal savings accounts, taking on new debt, and putting the health and safety of themselves and their families at risk. Through no fault of their own, many providers were forced to shut their doors permanently when help did not arrive soon enough. Thousands more are still doing what they can to keep up this balancing act.

Some federal relief has come to child care. In March 2020, Congress passed the CARES Act to combat the first waves of insecurity caused by the pandemic. The legislation included $3.5 billion in emergency funding for the Child Care and Development Block Grant (CCDBG) and several programs, like the Paycheck Protection Program, which aimed to provide temporary relief for small businesses. Most recently, an appropriations and COVID Relief Bill were passed by Congress in December 2020, providing $10 billion in relief funding for CCDBG, which your states will be spending to support child care providers and working families.

In addition, the December relief bill contained many other provisions that can be used to support child care programs and providers across all states and settings, including loan programs, tax credits, temporary unemployment benefits, and comprehensive supports, including SNAP, housing, and higher education supports. **This document is designed to help child care center directors and family child care owners, as well as early childhood educators and staff, understand what help may be available by providing a brief, high-level overview of these programs and linking to additional, guiding information.**

Using surveys and outreach, NAEYC has amplified the voices of early childhood educators to ensure policy makers understand the essential nature and crucial needs of child care programs across states and settings. Educators themselves, in addition to caring for and educating children and supporting families in the middle of a pandemic, took on yet another responsibility—as advocates. With extensive engagement, advocates have helped policy makers understand the reality that without child care, there is no recovery. While the Congressional investments in child care do not yet meet the needs of programs or families, it is because of the indefatigable advocacy efforts of child care providers that dedicated relief funds have been included to date. NAEYC will continue to lift your voices and fight for you and for long-term, sustainable investments in child care.
To learn more, visit NAEYC.org/pandemic-surveys or email advocacy@naeyc.org.

Please note that how these programs and supports intersect with one another can be very dependent on your individual circumstances, and, while recognizing the challenges early childhood educators may have in accessing affordable individualized advice and guidance from legal and financial experts, NAEYC recommends you seek it where you can. We also encourage you to contact your community's child care resource and referral agency, reach out to a family child care network in your community, and post questions on NAEYC's member community, Hello!

In addition, we remind you that the information in this document may change subject to additional legislation and/or guidance from Congress and the Small Business Administration. This document is for informational purposes only and should not itself be considered legal nor financial advice.

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Resource Links

There are links to specific portions of the following resources throughout this document, but early childhood educators can find links to several helpful resources from our partners in full here:

- Business Resource Guide for FCC Providers (All Our Kin)
- Child Care Business Stimulus Navigator & Hub (Child Care Associates)
- PPP Webinar for Home-Based Child Care Providers (Home Grown)
- Small Business COVID Relief Provisions (Main Street Alliance)
- PPP and EIDL Opportunities for Child Care Programs (National Center on Early Childhood Quality Assurance)

Government Websites:

- Benefits.gov - Benefits Finder Questionnaire (Department of Labor)
- Unemployment Insurance Relief During COVID-19 (Department of Labor)
- Internal Revenue Service (IRS)
- Small Business Administration (SBA)

Each section below includes resource links for additional information. The link in each section **in bold** is the most comprehensive resource on that topic.

Grant and Loan Programs

The Paycheck Protection Program (PPP)

Application Period: Mid-January to March 31, 2021

PPP Fast Facts

In 2020, PPP loans provided some relief for some child care programs but the rollout of the program proved to be inequitable, especially for family child care homes, who reported applying for some of the smallest loans but facing some of the highest rejection rates. The December legislation set aside $40 billion for businesses with 10 or fewer employees in an attempt to partially address this issue in all industries. The program also made changes, highlighted below, that make the loan terms, and opportunities for loan forgiveness, more favorable and straightforward.

PPP loans and PPP Second Draw loans are on a "first come, first serve" basis, if you are interested in applying for a PPP loan (which is able to be converted to a forgiven loan, more like a grant) we encourage you to apply as soon as possible through either your existing lender, or a local lender that is engaging in the PPP program.

Background

- Originally created through the CARES Act in March 2020, a PPP loan allows small businesses to receive a low-interest loan to help pay for payroll and other fixed costs. If the borrower follows certain guidelines, the loan can become 100% forgivable.
- The PPP loan is designed to cover approximately 2.5 times average monthly payroll costs.
- Loan recipients can now select the covered period for loans for between 8 and 24 weeks.
- Loan recipients must apply for forgiveness within 10 months of using the funds.

> Ask your bank if they are participating in this program. If you don't have a bank already, you can find lenders at SBA.gov. Click the Local Assistance tab, and type in your zip code. Select the SBA District Office that comes up on that list and visit that district office's webpage.
>
> You should see a link, near the bottom of the page, to the District Office Resource Guide for your specific district, which will have a list of "7(a)" lenders. That is the list of lenders to reach out to.

If you are unfamiliar with the Paycheck Protection Program, your best resource will be your bank. PPP loans are provided by certain approved banks and lenders. These lenders must be approved by the US Small Business Administration (SBA). If you aren't sure if your bank is approved or don't have a lender, check out the sidebar for how to find one near you! Additionally, there are helpful links below that give a deeper look into the program and application process.

Important PPP Updates

- If you have never received a PPP loan, the loan for which you apply will automatically have the updated terms. If you have received a PPP loan but have not yet received loan forgiveness, you can contact your lender to update your loan terms.

- **If you have already received a PPP loan, you can apply for a "Second Draw" loan**
  - For most borrowers, the maximum loan amount of a Second Draw PPP Loan is 2.5x average monthly 2019 or 2020 payroll costs up to $2 million. Businesses with fewer than 300 employees whose Gross Receipts for Quarter 1, 2, or 3 in 2020 are down by 25% or more compared to the same quarter in 2019 are eligible.
  - *Your 1st PPP loan *does not* need to be fully closed out before you can apply for a Second Draw loan, but the money from your first PPP loan needs to have been spent.*
- You no longer have to choose between applying for the PPP and EIDL or ERTC programs, but we recommend that you pay attention to, and inquire about, the situations where using PPP funds for salary would not be counted toward tax credit opportunities.

PPP Forgiveness

- In order to be eligible for forgiveness, the loan must still be split **60% payroll and 40% fixed costs**, like mortgages, rent, utilities, etc.
- The **definition of "payroll costs" and the definition of "fixed costs" have been expanded.** See the resources below to see how these expanded definitions can help you and your business.
- Previously, forgivable loans were not subject to taxes and therefore businesses could not claim deductions for expenses paid for with PPP funds. **The new law allows business expenses paid for with PPP forgivable loans to be deducted.**
- Forgiven PPP loans are considered grants and, therefore, not considered taxable income.
- The process to forgive loans under $150,000 has been simplified and streamlined — a borrower can receive forgiveness through a 1-page certification.

PPP Notes for Sole Providers

- All allowable expenses under the new PPP terms are fully deductible, even if your PPP loan is ultimately forgiven.
- Forgiven PPP loans will be considered a "non-taxable grant to replace lost profit" and will not need to be declared as Line 7 income on Schedule C.

More Information on the Paycheck Protection Program

- **Office of Child Care — Step-by-Step webinar (PPP begins at 26:06)**
- Committee on Economic Development — Child Care + 2021 PPP Updates 1 pager
- Child Care Associates Stimulus Navigator — pages 2–4
- Home Grown - PPP webinar for Home Based Providers (minutes 0 through 22 for PPP)
- Main Street Alliance Toolkit — Section A
- SBA website for first draw forgivable loan information and second draw forgivable loan information
- SBA website for second draw loans — how to calculate revenue reductions

Economic Injury Development Loans + Grants (EIDL program)

EIDL Fast Facts

Applied for directly through the Small Business Administration (SBA), the EIDL program is designed to provide economic relief for small businesses experiencing a temporary loss of revenue due to COVID–19. These are loans designed with favorable terms and low interest rates.

The EIDL program is not through your bank, it is directly through the Small Business Administration (SBA). They provide an overview of the loan terms and a link to the application here.

For a "deep dive" into the EIDL program, including terms, eligibility, and application process, watch this webinar, hosted by the Office of Child Care's (OCC) National Center on Early Childhood Quality Assurance.

If You Applied for an EIDL Loan in 2020, Read This:

The December 2020 legislation created a **"Targeted EIDL Advance"** for those who applied for an EIDL loan in 2020 (you must also meet additional requirements). From the SBA: "*The Targeted EIDL Advance provides businesses located in low-income communities with additional funds to ensure small business continuity, adaptation, and resiliency. Advance funds of up to $10,000 will be available to applicants located in low-income communities who previously received an EIDL Advance for less than $10,000, or those who applied but received no funds due to lack of available program funding.*" This means that if you serve in a community identified by the Small Business Administration as "low-income," and you previously applied but did not receive an EIDL Advance, or did not receive the full amount, you may be eligible for an EIDL Advance grant.

Helpful EIDL Resources

- **Office of Child Care — Step-by-Step webinar (EIDL begins at the 12 minute mark)**
- Child Care Associates Stimulus Navigator — Targeted EIDL Advance page 7
- Main Street Alliance Toolkit — Section B
- SBA EIDL information is continually being updated here.

Tax Credit Opportunities

The legislation passed in December created several opportunities for small businesses and self-employed individuals to recoup lost earnings due to the COVID–19 pandemic. This is only a brief overview with additional resources, but child care programs are highly encouraged to find and consult with financial advisors, including but not limited to accountants and payroll companies, to claim the tax credits that are right for you.

Employee Retention Tax Credit (ERTC)

The Employee Retention Tax Credit (ERTC) encourages employers to keep employees on payroll, which it does by giving businesses money back when they file taxes IF their revenues dropped while staff was retained. The ERTC is calculated by quarter and is available to be claimed *per employee*, giving this tax credit the potential to provide a significant amount of financial relief for a small business—including a child care center or family child care home.

ERTC Considerations

- Previously, small businesses had to choose between taking out a PPP loan OR taking advantage of the ERTC. Now, you can use both programs, *however*, for any period of time that an employee's salary was paid using PPP funds, you cannot claim an ERTC.
- Both for-profit and nonprofit businesses can claim the ERTC, but there are different stipulations about the status of the workers during the fiscal quarter for which the ERTC is to be claimed.
- Due to the legislation being passed in December 2020, the terms, eligibility, and opportunities to claim the ERTC are very different for your 2020 taxes vs. your 2021 taxes. Providers may be eligible for the ERTC as they prepare their 2020 taxes and/or providers may be able to make the adjustments necessary in 2021 to qualify for the ERTC next year.
    - An important note for Family Child Care Homes: self-employed individuals may not be eligible for this credit for their own self-employment earnings, though they may be able to claim the credit for wages paid to their employees.
    - It may also be possible for sole providers to claim the 2021 ERTC (as opposed to the 2020 ERTC) and have the amount either taken off the amount of taxes you owe, or added to your tax refund.

Because the tax credits are so individualized, your accountant, tax specialist, or payroll company is an important resource to answer your questions and ensure you are filing correctly.

Helpful ERTC Resources

- **Home Grown ERTC Webinar for Home Based Providers (ERTC begins at minute 22)**
- Child Care Associates Stimulus Navigator ERTC page 5
- Main Street Alliance Toolkit — Section D
- US Chamber of Commerce Tax Credit Explainer & Video
- The IRS is still in the process of updating their information, but will do so here
- Ways and Means Committee FAQ on ERTC 2020

Families First Coronavirus Response Act Paid Leave Tax Credit

The Families First Coronavirus Response Act (FFCRA) was signed into law March 18, 2020. The original FFCRA ran through December 31, 2020. Two major components of the FFCRA included Emergency Paid Sick Leave and Emergency Family and Medical Leave Expansion. Under the FFCRA that ran from March-December 2020, employers who were legally required to extend paid sick leave and/or emergency family and medical leave were eligible for refundable tax credits to offset the costs of providing this leave. Examples of leave due to the pandemic are listed below.

Important Updates

Congress chose not to extend the *mandated* FFCRA leave, which expired December 31, 2020, but the new legislation passed in December 2020 extended the period for which eligible employers may claim the FFCRA refundable tax credit for *voluntarily* providing paid sick and family leave to employees after from January 1, 2021 through March 31, 2021. Essentially, small and midsize employers have the opportunity to claim refundable tax credits that reimburse them, dollar-for-dollar, for the cost of choosing to provide paid sick and family leave wages to their employees for leave related to COVID-19.

This means, the December 2020 updates to the legislation specify that eligible employers that *choose* to provide paid sick or family leave to employees that otherwise would have met the requirements of the Emergency Paid Sick Leave or Family and Medical Leave Expansion may claim the tax credits for providing the paid leave through March 31, 2021.

There are several opportunities to be refunded for sick or family leave you were forced to take due to the COVID–19 pandemic. There are two different types of sick leave credits and one type of family leave credit. Sick and family leave credits can be combined to a point. You may be eligible if you had to temporarily close your business or employees had to take leave based on the following circumstances:

- Quarantine because you contracted COVID–19
- Quarantine because you were in proximity to someone (child/parent/employee) who contracted COVID–19
- Care for a child that either contracted COVID–19 or had to care for a child because their provider or school was closed due to COVID–19
- Additional, similar reasons based on circumstance

This provides an opportunity for providers to claim a refundable tax credit due to leave that was taken by yourself or your employees due to COVID-19. However, the eligibility and qualifications for this tax credit vary by circumstance. If you are a nonprofit or for-profit center, or a home-based employer with employees, or a sole provider, you should ***consult with a tax professional about claiming this tax credit.***

Key Information from the IRS on Claiming the FFCRA Credit

- For Employers: "Employers will report total qualified leave wages and the related credits for each quarter on their federal employment tax returns (typically Form 941). In anticipation of receiving the credits, employers can fund leave wages (including health plan expenses and the employer's share of Medicare taxes) by withdrawing that amount from employment taxes and withheld income taxes required to be deposited with the IRS. Employers can also request an advance using Form 7200 Advance Payment of Employer Credits Due to COVID-19.7"
- For Self-Employed Individuals: "Self-employed individuals who would be entitled to receive sick or family leave if employed by a regular employer can claim an income tax credit to offset their federal self-employment for any taxable year equal to their 'qualified sick leave equivalent amount' or qualified family leave equivalent amount.' They can do this by withholding an appropriate amount from estimated tax payments for 2020 or claiming the credit on their Form 1040 files in 2021."

Helpful FFCRA resources

- **Child Care Associates Stimulus Navigator — pages 9, 17, & 18**
- Home Grown FFCRA webinar (FCCRA begins at minute 34)
- IRS COVID-19 Related Tax Credits Frequently Asked Questions
- National Law Review FFCRA Updates FAQ and Explainer

Unemployment Insurance Programs

During the pandemic, the child care sector has lost one in six workers. If you or someone you know has lost income, the December relief bill provides several different unemployment compensation programs that may be able to help. From the Department of Labor, "*Unemployment insurance is a joint state-federal program that provides cash benefits to eligible workers. Each state administers a separate unemployment insurance program, but all states follow the same guidelines established by federal law.*"

- Your best resource for Unemployment Insurance questions, whether you are an employer or an employee, will be your State Unemployment Insurance Office. Use this map to find contact information for your state.

The Committee for Economic Development has compiled a full list of relevant UI programs, which can be found here. Here are some highlights:

- **The federal Pandemic Unemployment Compensation (FPUC) program** that had provided individuals an additional $600 per week in unemployment compensation (which expired on July 31, 2020) was renewed at $300 per week for those receiving federal or state unemployment benefits after December 26, 2020. The FPUC supplement also expires on March 14, 2021.
- **The Pandemic Emergency Unemployment Compensation (PEUC) program**, which under the CARES Act was available to individuals who exhausted state or federal unemployment compensation, provided an additional 13 weeks of unemployment benefits. The new law extends PEUC from 13 to 24 weeks through March 14, 2021 with a phase-out by April 5, 2021.

- **Pandemic Unemployment Assistance (PUA)** for self employed workers, gig workers, independent contractors, and others who typically are excluded from state unemployment benefits (originally created in the CARES Act) is now extended through March 14, 2021. There is a gradual phase-out of PUA for individuals who are receiving assistance on March 14 until April 5, 2021.
- **Mixed Earner Unemployment Compensation** provides 100% federal financing for $100 per week to individuals who have at least $5,000 per year in self-employment income and who are disqualified from receiving Pandemic Unemployment Assistance (PUA) because they are eligible for regular state unemployment compensation. Individuals who receive the mixed earner $100 weekly benefit are also eligible for the $300 per week under the Federal Pandemic Unemployment Compensation (FPUC) program.

Helpful Unemployment Insurance Resources

- Benefits.gov — Benefits Finder Questionnaire
- Center for Economic Development — COVID UI Programs 2021 Updates
- Center on Budget and Policy Priorities — State by State UI Information
- Department of Labor — Find Your State Unemployment Insurance Office

Economic Impact Payments (Stimulus Checks)

EIP Fast Facts

- Eligible individuals will automatically receive an Economic Impact Payment of up to $600 for individuals or $1,200 for married couples and up to $600 for each qualifying child.
- Most people who have an adjusted gross income for 2019 of up to $75,000 for individuals and up to $150,000 for married couples filing joint returns and surviving spouses, will receive the full amount of the second payment.
- For filers with income above those amounts, the payment amount is reduced.
- Check your status here on the IRS website
    - Economic Impact Payments are considered tax refunds and therefore will not affect eligibility for federal programs.

Mixed Status Families

- Mixed-status families are those in which one spouse has a Social Security Number and one spouse, due to their immigration status, does not.
- These families were prevented from receiving Economic Impact Payments through the CARES Act in 2020.
- Now, when married and filing jointly, earning up to $150,000, they are eligible for a payment of $600 plus $600 for each child with a Social Security Number. There is also a retroactive payment of $1,200 for each taxpayer with a Social Security Number plus $600 for each qualifying child.
    - Put another way, mixed-status families should expect to receive $2,000 for each adult taxpayer with a Social Security Number and additional funds for each child with a Social Security Number.
- These payments do not count toward the ‘public charge’ rule nor toward household income asset limits.

Comprehensive Supports

Early childhood educators make so little that nearly half are eligible for public benefits. The December relief bill included changes to some of these public benefits that may be helpful to members of our field.

SNAP

- The SNAP benefit level has been increased by 15% through June 30, 2021 and excludes unemployment assistance from being counted toward household income for SNAP eligibility.

Housing Assistance

- If you've experienced job loss because of the coronavirus pandemic, you may qualify for rental assistance through your state Housing & Urban Development program.
- A federal eviction moratorium from the CDC, extended through January 31, 2021, may help you stay in your home if you can't pay your rent.
- If you've been affected financially by the coronavirus pandemic and you own a single-family home with a federally backed or FHA-insured mortgage, you can request mortgage forbearance (which is a pause in making mortgage payments).

For more information on Housing and Nutrition assistance, visit USA.gov/disaster-help-food-housing-bills

Higher Education Updates

While not specific to COVID-19, legislation passed at the end of last year brought welcome improvements to financial aid processes that will benefit providers and potential providers seeking to earn credits and degrees. Updates include:

- An extension on the freeze for monthly payments and interest on most federal student loans until September 30, 2021.
- The number of questions for the Free Application for Federal Student Aid (FAFSA) form will be reduced from 108 to a maximum of 36, making it easier to complete.
- The amount of the maximum Pell Grant award was increased, and a change in how eligibility for Pell Grants is determined will also make it easier for lower-income students to receive the maximum amount of federal student aid.
  - This means an additional 555,000 students will qualify for Pell Grants each year and 1.7 more million students will qualify to receive the maximum Pell award each year — many of these students can be current and future early childhood educators!