

# CA INDEPENDENT VENUE STIMULUS GRANT PROGRAM AND RETENTION TAX CREDIT PROPOSAL

## GRANT PROGRAM

### PROBLEM

Since March of 2020, independent venues, festivals, and promoters have been shuttered. Disproportionately impacted by this shutdown, venues were the first to close and to date have zero revenue and all the overhead costs. As reopening discussions begin, this unique sector faces new challenges. The economics of concerts demand operating at full capacity to generate sustainable revenue, and startup costs are significant. Even if reopening guidelines permitted our industry to operate at 100% tomorrow, we couldn't host shows immediately. The runway for concerts is 3-6 months from the time the artist is booked, the show is marketed, tickets go on sale, vendors and staff are hired and the artist is on the stage. This timeline is even longer for festivals. During this time there is a real risk even more venues would shutter.

Since the COVID shutdowns, independent venues throughout California are losing \$25,000 to upwards of \$250,000 per month. Many venues are accruing tremendous debt to remain shuttered. While the distribution of the vaccine is encouraging, this hemorrhaging money will likely continue for at least another 4-6 months while 100% capacity indoor shows are still prohibited due to public health guidelines. While efforts like SB 87 were very much appreciated and impacted many of California's small businesses, the \$2.5 million revenue cap made hundreds of venues throughout California ineligible. Further, \$25,000 maximum grants per entity may cover one month of debt accrued if that and also possibly disqualify them for other aid programs.

While the Shuttered Venues Operator Grant (SVOG) program included in the December Federal omnibus package provides some hope for venues across the nation, it remains to be seen how much California venues will receive from this program. Further, the Small Business Administration (SBA) has yet to release the applications for the program, leaving venues in California and throughout the country concerned for their future. While the SVOG has the potential to help some California venues partially dig themselves out of the hole they are in, it does not address the road ahead: a road of potential start and stops, continued restrictions on capacity for the good of public health, and the challenges of booking shows in a COVID environment, even post-vaccine. Venues throughout California need state support after a year plus shuttered and look ahead to the "boom" of unprecedented demand predicted and the subsequent tax revenues the state will yield as a result.

Independent venues, festivals and promoters are anchor businesses in their communities. A recent economic impact study reports that for every \$1 spent on a concert ticket, \$12 is

generated in the local economy at bars, restaurants, hotels and transportation bringing the state of CA an estimated \$13 billion in economic activity. An investment in California's independent venues will insure these businesses can reopen and bring a significant return to the State's economic recovery, lifting restaurants, bars, hotels, and other businesses located near these institutions as well.

Several other states have taken action to prevent venues from closing their doors; Governor Larry Hogan of Maryland announced \$30 million for more than 90 live music and performance venues, live entertainment promoters, and independently-owned local movie theaters in January whose operations have been impacted by COVID-19. Oregon and Illinois have allocated \$50 million and \$60 million respectively, towards their state's creative economy ecosystem. Other states such as Colorado have also proposed \$25 million with Wisconsin and Delaware also taking action.

## PROPOSED SOLUTION

The CA Independent Live Event COVID-19 Stimulus Grant Program would provide grants to eligible small businesses and nonprofits impacted by COVID-19 and the related health and safety restrictions. Lendistry, which has been designated by the state to act as the intermediary for existing small business grants programs, would also act as the intermediary for this program.

Grants would be awarded up to 20% of 2019 gross earned revenue per entity capped at \$500,000. An average grant estimated to be \$375,000. Total value of the program is to be \$250 million.

## DESCRIPTION

The program would not be on a "first come, first served" basis. We anticipate issuing grants in the following two (2) rounds of distributions:

Round 1 application period (90% revenue loss): TBA two week period

Days 1-14: The only applications accepted will be from entities whose total revenue for April 1, 2020 through Dec. 31, 2020 is 10% or less of their 2019 gross revenue for the same period.

Round 2 application period (70% revenue loss): TBA two week period

Days 15-28: The only applications accepted will be from entities whose total revenue for April 1, 2020 through Dec. 31, 2020 is 30% or less of their 2019 gross revenue for the same period.

Partners will provide technical assistance to business owners and nonprofits (to include translation/interpretation services) during application preparation and online submission. Once applications are received, Lendistry will process for eligibility. Once rounds close, grant awards will be distributed based on the program priority factors, including the COVID health and safety restrictions following California's Blueprint for a Safer Economy, local county status and the new Regional Stay At Home Order which can be found at: <https://covid19.ca.gov/safereconomy/>.

Lendistry will distribute grants on behalf of the State of California to approved small businesses and nonprofits.

## ELIGIBILITY

### Eligible Applicants

- For-Profit Business
- Nonprofit organizations

"Independent Live Event" means entities must NOT be majority-owned or controlled by a publicly traded corporation. The business entity must, as a principal business activity, organize, promote, produce, manage, or host live concerts, comedy shows, theatrical productions, or other events by performing artists. A cover charge through ticketing or front door entrance fee must be applied. Performers must be paid in an amount based on percentage of sales, a guarantee in writing or standard contract, or another mutually beneficial formal agreement. At least 70% of the entity's earned revenue is derived from cover charges or ticket sales, production fees or production reimbursements, nonprofit educational initiatives, or the sale of event beverages, food, or merchandise in conjunction with a live event. Qualifying venues must have displayed at least a 90% of the last three quarters of 2020 gross earned revenue decline from the last three quarters of 2019. If funds remain, applications will open to qualifying venues with a 70% revenue loss. "Nonprofits" means registered 501(c)(3), 501(c)(6) or 501(c)(19). If you have applied for a CA Relief Grant already and received a grant in rounds 1, 2 or 3 you are not eligible. If you applied but did not receive a grant, you must complete the new application.

### Eligible Geographies

Eligible businesses must have a physical address and operate in California. Please see [CAReliefGrant.com](http://CAReliefGrant.com) for additional eligibility information.

## EMPLOYEE RETENTION CREDIT PROPOSAL

### PROBLEM

The State of California is offering an Employee Rehire Tax Credit. This does not work for our industry as no venue has been rehiring anyone for nearly a year and will likely not rehire until Fall 2021.

However there is a federal Employee Retention Tax Credit at the Federal level that could easily be mimicked by the State of California. Many venues, festivals, and promoters have kept on one or two employees to help maintain their venues, keep them off the unemployment rolls and keep food on their table. A State version of the Employee Retention Tax Credit would be a tremendous help to our industry.

### PROPOSED SOLUTION

The Employee Retention Credit is available to businesses and tax-exempt organizations with extreme loss of gross receipts of no less than 90%. It is a refundable tax credit against certain employment taxes equal to 50% of qualified wages of up to \$10,000 per employee (including certain health plan expenses), that an eligible employer pays employees after March 12, 2020 - December 31, 2020, and 50% of qualified wages of up to \$14,000 per employee (including certain health plan expenses), that an eligible employer pays employees after January 1, 2021-June 30, 2021.

Eligible employers can get immediate access to the credit by reducing employment tax deposits they are otherwise required to make. Also, if the employer's employment tax deposits are not sufficient to cover the credit, the employer may get an advance payment from the Franchise Tax Board ("FTB"). Because this credit can apply to wages already paid after March 12, 2020, many struggling employers can get access to this credit by reducing upcoming deposits or requesting an advance credit from the FTB.

Employers are eligible for the credit if they operate a trade or business in California and experience a significant decline in gross receipts of 90% or more during the relevant period (March 12, 2020, and before July 1, 2021).

- A significant decline in gross receipts begins:  
on the first day of the first calendar quarter of 2020 for which an employer's decline in gross receipts is 90% or more of its gross receipts for the same calendar quarter in 2019.
- The significant decline in gross receipts ends:  
on the first day of the first calendar quarter following the calendar quarter in which gross revenue loss is less than 90% of gross receipts for the same calendar quarter in 2019.

### Qualified Wages

The definition of qualified wages depends on how many employees an eligible employer has.

If an employer averaged more than 100 full-time employees during 2019, qualified wages are generally those wages, including certain health care costs, (up to \$10,000 per employee) paid to employees that are not providing services because operations were suspended or due to the decline in gross receipts. These employers can only count wages up to the amount that the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period of economic hardship.

Suppose an employer averaged 100 or fewer full-time employees during 2019, qualified wages are those wages, including health care costs, (up to \$10,000 per employee) paid to any employee during the period operations were suspended or the period of the decline in gross receipts, regardless of whether or not its employees are providing services.

### Eligible Geographies

Eligible businesses must have a physical address and operate in California. Please see [CAReliefGrant.com](http://CAReliefGrant.com) for additional eligibility information.