



The Shuttered Venue Operators Grant (SVOG) program is Section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act) signed into law on Dec. 27, 2020, and was part of [H.R. 133 Consolidated Appropriations Act, 2021](#). To see the full text, download the PDF of the enrolled bill, go to page 812 for the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Division N, Title III) and then to page 841 for Section 324: Grants for Shuttered Venue Operators. The [American Rescue Plan Act](#), signed into law on March 11, 2021, included SVOG amendments under Title V, Sec. 5006 to the Economic Aid Act.

Following are answers as of March 22, 2021 (those marked with \* are new and/or updated from the March 12, 2021, version), to frequently asked questions about the SVOG program. These will be updated as new information comes available and additional program details are finalized.

## Contents

- Eligibility .....1
- All Applicants .....1
- Museum or Movie Theatre Operator .....5
- Live Venue Operator or Promoter .....7
- Definitions.....9
- Application.....12
- Use of Funds .....17
- Business Size/Employees.....19
- Revenue .....21
- Subsidiaries & Affiliates .....24
- Supplemental Phase .....26

## Eligibility

### All Applicants

#### 1. What is an “eligible entity” for an SVOG?

Eligible entities may be live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theatre operators, and talent representatives, per the Economic Aid Act. Additionally, entities of these types owned by state or local governments (for example, museums or historic homes) are eligible to apply if the governmentally-owned entity also acts solely as a venue operator, museum, etc. and not also include other types of entities. For example, a city parks and recreation department that operated a bandstand in a public square along with running various nature parks would not qualify as an eligible entity for an SVOG. Finally, each subsidiary business owned by an eligible entity that also meets the eligibility requirements on its own rights will qualify as an eligible entity.

**2. When does a business have to have been established to be eligible to apply for an SVOG?**

The business must have been in operation as of February 29, 2020.

**3. Is an entity not in business in 2019 but conducting business operations on Feb. 29, 2020, eligible to apply for an SVOG?**

Yes, if an entity was not in business during 2019 but was conducting business operations on Feb. 29, 2020, including incurring costs of necessary start-up, preparatory activities in the lead time before an anticipated opening date, it is eligible to apply if it can show the required earned revenue loss. In situations like this, the SBA will use the following alternative method for demonstrating revenue loss based on the approach the Agency is using with the PPP: Firms not in operation in 2019 may qualify for an SVOG if their gross earned revenues for the second, third, or fourth quarter of 2020 demonstrate a reduction of not less than 25% from their gross earned revenue for the first quarter of 2020. For firms that had commenced start-up operations but were unable to open as anticipated due to the pandemic, they would only be eligible under this alternate method if they had earned revenue in the first quarter of 2020 from sources such as advance ticket sales, merchandising, etc. Firms which had been conducting business operations and incurring expenses in 2020 in a pre-opening capacity but which had no earned revenue for the first quarter of 2020 would not be eligible to apply.

**4. Is an entity that applied for and received a Paycheck Protection Program loan in July 2020 eligible to apply for an SVOG?**

Yes, if an entity applied and was approved for a PPP loan prior to Dec. 27, 2020, it is eligible to apply for an SVOG.

**5. Is an entity that applied for a First Draw or Second Draw PPP loan on or after Dec. 27, 2020, eligible to apply for an SVOG?**

Yes. While entities originally were prohibited from receiving both forms of SBA assistance, the American Rescue Plan Act, which became law on March 11, 2021, removed this restriction. However, under the law, entities will be ineligible for a PPP loan AFTER they receive an SVOG.

**6. No longer relevant / deleted per the American Rescue Plan being signed into law.**

**7. Is a mobile entity with no fixed performance space eligible to apply?**

No. Among other requirements, the Economic Aid Act requires a venue to have defined performance and audience spaces. If a particular venue cannot meet this requirement, it is not eligible to apply for an SVOG.

**8. \*What disqualifies an entity from SVOG eligibility?**

The following types of circumstances would preclude an otherwise eligible firm from an SVOG:

- It does not have a place of business located in the United States, does not operate primarily within the U.S., and does not make a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor.
- It was not in operation as of Feb. 29, 2020.
- It is a publicly traded corporation, or is majority owned and controlled by a publicly traded corporation.
- It presents live performances or sells products or services of a prurient sexual nature.
- More than 10% of its 2019 gross revenue came from the federal government (not counting disaster assistance)

- It owns or operates venues, theatres, museums or talent agencies in more than one country, owns or operates venues, theatres, museums or talent agencies in more than ten states, AND it had more than 500 employees as of Feb. 29, 2020.
- Five other firms with which it is affiliated have already received SVOG awards.
- It is a museum and other museums with which it is affiliated have already received \$10 million in SVOG funding.

**9. If an entity is part of a private university, how will the SBA apply the SVOG eligibility barrier that prohibits organizations which received more than 10% of their 2019 gross revenue from Federal funding?**

If a private university-based eligible entity lacks separate legal existence from its parent university, or has separate legal existence but is majority owned and controlled by the university, it will have to look to the gross revenue of its parent university when determining whether it passes the barrier against having more than 10% of its 2019 gross revenue come from Federal sources (excluding disaster assistance). If a private university owns less than a majority of an eligible entity with separate legal existence, the entity only needs to consider whether more than 10% of its own 2019 gross revenue came from Federal funding. **NOTE:** Public university-based eligible entities are not subject to the 10% cap on the Federal share of their gross revenue because they are owned by state or local governments.

**10. If a museum or live venue operator or promoter is a sub-unit of a university without separate legal existence, but a separate non-profit foundation exists solely to receive donations to the university-owned museum or live venue operator or promoter, is that foundation eligible for an SVOG even if it has no economic or business activity apart from receiving and passing along donations?**

No. Under such an arrangement the foundation's principal business activity would be serving as a fiscal agent for the university-owned museum or live venue operator or promoter rather than acting as a museum operator or live venue operator or promoter as is required by the Economic Aid Act.

**11. Does the SVOG eligibility exclusion of entities that received more than 10% of their 2019 gross revenue from the Federal government apply to eligible entities owned by state or local governments, including entities owned by public colleges and universities?**

No. The Economic Aid Act establishes an alternate eligibility restriction for state-owned entities. Under that, state-owned entities cannot contain any other state-owned entities apart from the live venue operator or promoter, live performing arts organization operator, museum operator, movie theatre operator, or talent representative. If the SBA applied the SVOG eligibility rule restricting entities that receive more than 10% of their gross revenue from the Federal government to state-owned entities, this would deny eligibility to all state-owned entities. The Economic Aid Act explicitly makes such entities eligible (It appears no state receives less than approximately 20% of its gross revenue from the Federal government), so the SBA is not applying this rule.

**12. For college and university-owned entities seeking eligibility, does the 10% federal funding barrier include financial aid that is awarded to students such as Pell grants?**

Yes. Based upon the treatment given Pell grants by the Department of Education, they would be included in the amount of Federal funding provided to college and university-owned entities that do not have separate legal existence.

**13. Can a mobile, portable, or touring facility be a qualifying venue for an SVOG?**

Yes. Any venue, including traveling tent shows such as circuses and festivals, that meets all the space-related requirements in the Economic Aid Act (e.g., defined performance and audience spaces, lighting rig, etc.) will be considered an SVOG-qualifying venue. If a particular venue cannot meet these requirements, it is not eligible to apply for an SVOG.

**14. If an eligible entity has applied for or received any grants, loans, or other funding from a state or local governmental relief program is it still eligible to receive an SVOG?**

Yes. Receipt of pandemic-related or other assistance from state or local governments does not disqualify an eligible entity from the SVOG program, though an eligible entity must ensure that it does not claim any costs or expenses under its SVOG that it has already received reimbursement or other payment for under another award or program.

**15. No longer relevant / deleted per the American Rescue Plan being signed into law.**

**16. Are service and support companies that provide stages, lighting, sound, casts, and other support for live performing arts events or which showcase performers or pre-packaged productions to potential buyers eligible to apply for an SVOG?**

No. The Economic Aid Act is designed to assist only those eligible entities identified in the statute. SVOGs are not available for service providers that support eligible entities.

**17. Are entities whose broader business operations include hosting live performing arts events, such as agricultural fairs or party boats/pleasure cruises that feature concerts, eligible to apply for an SVOG?**

No. Only entities whose principal business activity is being a live venue operator/promoter/theatrical producer/live performing arts organization operator, museum operator, motion picture theatre operator, or talent representative are eligible for SVOGs under the Economic Aid Act. Although an agricultural fair or entertainment cruise may include live performing arts events, their principal business activity is something other than serving as one of eligible entity types in the statute.

**18. \*Are eligible entities currently involved in bankruptcy proceedings eligible to apply for an SVOG?**

Possibly. Eligible entities undergoing a reorganization form of bankruptcy (such as Chapter 11 or Chapter 13) may apply for an SVOG if they entered bankruptcy after Feb. 29, 2020. However, entities undergoing a liquidation form of bankruptcy (such as Chapter 7) are not eligible. In addition, SVOGs made to entities undergoing reorganization bankruptcy may, in SBA's discretion, be subject to special restrictions or requirements designed to reduce the risk of loss of taxpayer funds.

**19. Are entities located in US territories eligible to apply for an SVOG?**

Yes. Under the Economic Aid Act, in addition to those located in states, eligible entities in the District of Columbia, the Commonwealth of Puerto Rico, and any other territory or possession of the United States (e.g., Guam, American Samoa, the U.S. Virgin Islands) are able apply for an SVOG.

**20. Is an entity that received CARES Act funding eligible to apply? (previously #4 under Museums or Movie Theatre Operator, thus moving questions 4-12 on March 5 version up one number)**

Yes. Per the Economic Aid Act, receipt of CARES Act funding does not disqualify an entity for SVOGs.

**21. How will receiving a PPP loan affect an eligible entity's SVOG award?**

Per the American Rescue Plan Act, any entity that receives a PPP loan on or after Dec. 27, 2020 (whether First Draw or Second Draw), will have the PPP loan amount deducted from the SVOG amount. For example, if a jazz club received a PPP loan for \$10,000 on Feb. 1, 2021, and then applied for and received an SVOG which, based on the amount of its earned revenue loss would have been \$100,000, the jazz club's SVOG will be reduced by \$10,000 and it will receive a \$90,000 SVOG. Any PPP borrower that received a PPP loan before Dec. 27, 2020, however, will not have the PPP loan amount deducted from any subsequent SVOG.

**22. If a portion of my PPP loan was forgiven, will that affect how much of the loan amount is deducted from my SVOG?**

No. The full amount of any PPP loan received on or after Dec. 27, 2020, must be deducted from an entity's SVOG without regard to whether a portion of that PPP loan was forgiven or not. If the entity received a PPP loan prior to Dec. 27, 2020, the PPP loan and/or its forgiveness status is not factored into an SVOG.

**23. \*What will the SBA do if an eligible entity has two or more business activities with essentially the same level of combined revenues, costs, staff time, assets, contracts, etc.?**

Where an eligible entity has multiple lines of business that are essentially tied regarding their share of the entity's overall business activity, they will all be deemed its principal business activities.

**24. \*Does a cruise ship count as a qualifying venue for promoters or producers to stage performances on or for a talent representative to book performers on?**

It is possible. A cruise ship may serve as a qualifying venue for the business activities of eligible entities if it meets all the venue requirements established under the Economic Aid Act (defined performance and audience spaces, lighting rig, mixing equipment, etc.), but a cruise ship would not be eligible for an SVOG itself.

**25. \*Must a live venue operator, promoter, theatrical producer, live performing arts organization, or talent representative stage all its events or book all of its clients at qualifying venues?**

No. While an eligible entity must use qualifying venues for the majority of the events it stages or books clients into, non-qualifying venues may also be used.

## **Museum or Movie Theatre Operator**

**1. Is a museum or movie theatre with a multipurpose room with movable seating eligible to apply?**

No. The Economic Aid Act specifically requires fixed seating for qualifying amphitheatres of museums and motion picture theatre operators and makes no allowance for temporary, removable, modular, convertible, or other non-fixed seating arrangements. As such, museums and motion picture theatre operators cannot satisfy this requirement with other forms of seating. NOTE: There is no fixed seating requirement for other types of eligible entities.

**2. Is a museum or movie theatre with outdoor fixed seating eligible to apply?**

Yes. The Economic Aid Act does not require qualifying venues to be indoors. If the venue meets the applicable eligibility requirements, it should be eligible to apply for an SVOG.

**3. Is a museum partially funded with state dollars eligible to apply?**

Yes. While there are specific eligibility rules for entities owned by state or local governments, the receipt of funding from a state government does not affect its eligibility.

**4. Is a drive-in movie theatre without fixed seating eligible to apply?**

No. Per the Economic Aid Act, a motion picture theatre operator must have at least one auditorium with a motion picture screen and fixed audience seating, so a drive-in movie theatre is not eligible to apply for an SVOG.

**5. Will the SBA consider programming in museums' seasonally-operated outdoor amphitheaters provided regularly during when outdoor amphitheaters are open to be regular programming?**

Yes. If a seasonally-operated outdoor amphitheater meets the standard of hosting an average of 4 events per month over the course of a year, the SBA may consider the museum to have provided regular programming. For example, a museum with an outdoor amphitheater that is open 6 months of the year and provides daily programming during that seasonal operation would meet the regular programming standard because it had an average of 15 events per month over the course of a year of operation (182 events per year divided by 12 months equals an average of 15 events per month).

**6. If a museum has more than one qualified auditorium, theater, or lecture hall, does regular programming need to occur in each, or is it sufficient to have regular programming across all the qualifying presentation spaces?**

A museum may aggregate programming across all such spaces for purposes of meeting the regular programming requirement rather than looking at each qualifying presentation space individually if a museum has multiple qualifying presentation spaces (auditoriums, theaters, or performance or lecture halls).

**7. What happens if a motion picture theatre is owned by one entity, but operated (managed) by a separate entity? Are both entities eligible for an SVOG in such a case? If so, what will the earned revenues of the two companies be based upon?**

Yes. Under the Economic Aid Act, owners **and** operators of motion picture theatres are considered eligible entities. In cases where both the owner and the operator of a qualifying motion picture theatre are awarded SVOGs, each will base its earned revenues upon its share of those payments received as a condition of its ownership or operation of the motion picture theatre (e.g., space rental, ticket sales, management fees, digital projection reimbursements, and other non-gratuitous payments or transfers) as allocated by contract, lease, or other formal legal agreement. In such cases, all earned revenues and claimed grant expenses must be tracked and accounted for separately to avoid any overlap or double-counting.

**8. Is a landlord who owns a shopping center that includes a movie theatre eligible to apply for an SVOG given they 'own or operate' an eligible motion picture theatre?**

No. Because a shopping center owner's principal business activity would most likely be owning or operating a shopping center rather than owning or operating a motion picture theatre, it is doubtful it would be eligible for an SVOG.

**9. Is a new theater owner/operator previously owned/operated by a non-SVOG eligible company (e.g., a company listed on a stock exchange) eligible for an SVOG? If so, can they use the previous owner/operator's financials to demonstrate revenue loss?**

Yes, assuming the sale of the theaters to the new owner/operator was executed on or before Feb. 29, 2020. Sales finalized after Feb. 29, 2020 would not qualify because the underlying theaters were not eligible entities as of the deadline.

**10. Could a company that operates multiple movie theatres with the same Employer Identification**

**Number on Feb. 29, 2020, obtain separate EINs for each movie theatre after that date to have those theaters considered separate entities consistent with SBA’s treatment of ownership transfers executed after Feb. 29, 2020?**

No. Because these movie theatres were not eligible entities on their own on or before Feb. 29, 2020, legal status changes after that deadline cannot be treated the same as ownership changes of eligible entities made after Feb. 29, 2020. Under the Economic Aid Act, a person or entity must have been an eligible entity as of Feb. 29, 2020, to qualify for an SVOG.

**11. To qualify as regular programming, does the programming provided in a museum’s theater need to be ticketed and open to the general public?**

No. To qualify as regular programming, events held in a museum’s theater or lecture hall do not need to be ticketed or open to all museum attendees.

## **Live Venue Operator or Promoter**

**1. Is a wedding/event venue eligible to apply?**

It is not likely. Per the Economic Aid Act and specific eligibility criteria applying to Live Venue Operators, it appears wedding venue operators would likely fail to meet multiple requirements (for example: sale of tickets, promotion of events to the public, defined audience and performing space, lighting rig, sound mixing equipment, employment of sound engineers, stage managers box office managers, etc.).

**2. Is a sports stadium or venue used for concerts and other live, non-sport performances eligible to apply?**

It is not likely. While sports are not a form of performing art, if the operator of a sports stadium or similar athletic arena can meet the statutory definition of an eligible entity under the Economic Aid Act, including the requirement that its principal business activity must be the organization, promotion, management, or hosting of live concerts, comedy shows, theatrical productions or other events by performing artists, it should be eligible to apply for an SVOG.

**3. Is a restaurant that features live music eligible to apply?**

No, if the principal line of business is restaurant operation rather than live venue operation, the business would not be eligible to apply for an SVOG.

**4. Is a dinner theatre eligible to apply?**

It is possible. A dinner theatre could qualify if its principal business activity is the organization, promotion, management, or hosting of live concerts, comedy shows, theatrical productions or other events by performing artists, rather than restaurant operations, and meets all other applicable eligibility criteria.

**5. Is a performing arts center owned and operated by a government, state college (as a college department) eligible to apply?**

Yes. State, county, and municipal government-owned entities, including colleges, may be eligible to apply for an SVOG.

**6. Is a company that uses 1099 (independent contractor) workers/talent (vs. W2) eligible to apply?**

Yes. Per the Economic Aid Act, payments made to independent contractors as reported on an entity’s Form-1099 are an allowable use of grant funds. As such, an entity that used independent contractors would be eligible to apply for an SVOG.



**7. We hire a lot of independent contractors for events; as a subsidiary service provider for or at live venues and events, does this fit the talent placement eligibility?**

No, this does not fit the definition of a subsidiary, but rather defines a secondary service provider. The SBA does not believe a secondary service provider supplying support to qualifying venues meets any eligible entity definition.

**8. Is a theatrical production management business with revenue generated by the production management eligible to apply (under the talent representative definition)?**

It is possible. A theatrical producer may be eligible to apply for an SVOG even if less than 70% of its revenue came from cover charges or ticket sales. Under the Economic Aid Act, it also may be eligible to apply if, as its principal business activity, it has production tickets available for public purchase an average of not less than 60 days before the performance date.

**9. Is a talent agency that books actors at live venues, but does not operate a live venue, eligible to apply?**

It is possible. A talent agency may be eligible to apply if 70% of its operations is managing, booking or representing performers who appear primarily at live venues. If it is less than 70%, it is not eligible to apply for an SVOG.

**10. Does a ticket broker or reseller qualify as a live venue operator or promoter?**

No. The Economic Aid Act's live venue operator or promoter definition requires an entity to have as its principal business activity either: (1) Organizing, promoting, producing, managing, or hosting events by performing artists for which admission fees are charged and performers are paid based on a percentage of sales, a guarantee, or other mutually beneficial formal arrangement; or (2) Publicly selling tickets on average 60 days in advance of performing arts events for which performers are paid based on a percentage of sales, a guarantee, or other mutually beneficial formal arrangement. While ticket brokers or resellers do deal in tickets to performing arts events and may do so 60 days in advance, performers are not paid from these transactions as the SBA reads the second prong of the live venue operator or promoter definition to require. Further, as one of their commonly used names implies and because they operate in the aftermarket, ticket brokers or resellers may be viewed not as being principally in the business of selling tickets, but instead as being principally in the business of reselling them. As such, ticket brokers or resellers do not meet the criteria found in the definition of live venue operator or promoter.

**11. What criteria will the SBA apply when determining whether a particular form of live entertainment constitutes a performing arts event for an SVOG?**

The SBA believes performing arts as related to the SVOG program means events such as musical concerts, comedy shows, theatrical productions, dance performances, or other live renderings of similarly artistic works. This is based on review of the Economic Aid Act text, SBA's consultation with other Federal agencies with area expertise and examination of definitions of what constitutes the performing arts under Federal law.

**12. Is an air show operator eligible to apply?**

No. The live venue operator or promoter definition under the Economic Aid Act requires an entity to either put on performing arts events at qualifying venues or sell advance tickets to performing arts events at qualifying venues. While an air show is a form of live entertainment, in SBA's opinion it does not constitute a performing art. As such, air show operators do not qualify as live venue operators or promoters.



**13. If a venue’s box office is staffed by volunteers is it eligible to apply?**

Yes. Among the criteria included in the live venue operator or promoter definition is a requirement that a qualifying venue must engage at least one individual to perform at least two of the following roles: sound engineer, Booker, promoter, stage manager security personnel, and box office manager. The Economic Aid Act does not reference any hired box office staff other than a box office manager and does not absolutely require even that position. As such, the use of volunteers to staff a venue’s box office would not preclude it from being eligible to apply for an SVOG.

**14. Is a theatrical producer that stages performances in multiple venues eligible to apply?**

Yes. Provided the venues a theatrical producer uses meet the qualifications listed in the Economic Aid Act (e.g., defined performance and audience spaces, sound mixing equipment, a lighting rig, etc.) there is no limit upon the number of venues at which a producer may host events.

**15. The Economic Aid Act specifies artists performing at qualifying venues must be paid fairly and not “play for free or solely for tips, except for fundraisers or similar charitable events.” Would nonprofit organizations that host performances which include volunteer choruses and/or student performers be able to meet this requirement?**

Yes. Provided the events a nonprofit live performing arts organization stages are produced and managed primarily by paid employees, the use of volunteers in the production casts would not disqualify it.

**16. Does a live venue operator who qualifies as an “eligible person or entity” remain eligible for an SVOG if that live venue operator has a minority investor (less than 51% ownership) that has more than 500 employees, locations in 11 or more states, and locations in 2 or more countries? Is that the only ownership/control-related grounds for disqualifying someone?**

Yes. The Economic Aid Act speaks only of majority ownership and control in the context of the disqualifying conditions related to being listed on a stock exchange or to the geographic scope of operations and number of employees. There are no other control requirements in the statute.

**17. \*Does a free music festival that earns revenue through sales of merchandise and concessions but does not charge admission meet the requirements of either an eligible entity or qualifying venue?**

No. Under the Economic Aid Act, a live venue operator must, among other things, apply a cover charge through ticketing or front door entrance fee or sell tickets an average of at least 60 days in advance of performances to be eligible for an SVOG. Additionally, to serve as a qualifying venue, a location must impose a paid ticket or cover charge to attend most performances.

## Definitions

**1. How is “principal business activity” being defined?**

The SBA is drawing from its years of experience in ascertaining a firm’s primary industry under the SBA size regulations (13 C.F.R. § 121.107) to define “principal business activity.” To determine a given firm’s principal business activity, the SBA will consider the distribution of an entity’s receipts, employees and costs of doing business among the different lines of business activity in which its business operations occurred for the most recently completed fiscal year. An entity’s principal business activity will be the one in which it has the greatest combined amount of revenues, expenses, employees and work hours, assets, contracts, and other business activity as compared to all its other lines of business. The SBA may also consider other factors, such as the distribution of patents, contract awards, and assets, as appropriate.

**2. How is “majority owned or controlled” being defined?**

Across its various programs, the SBA defines majority ownership and control to mean that at least 51% of the ownership interests in an entity (regardless of its legal structure) are held by a single individual or entity.

**3. How is “fixed seating” being defined as a requirement for museums and movie theatre operators?**

Fixed seating is seating permanently fixed to the floor or ground or which is so heavy or cumbersome as to make removing it impractical, per the Economic Aid Act. Where fixed seating is required for a museum auditorium or movie theatre, a majority of the seating provided in that space must meet the definition of fixed seating.

**4. How is “museum” being defined?**

A museum is a public, tribal, or private nonprofit agency or institution organized on a permanent basis for essentially educational, cultural heritage, or aesthetic purposes, that uses a professional staff, owns or uses tangible objects, cares for the tangible objects, and exhibits the tangible objects to the public on a regular basis. This includes aquariums, arboretums, botanical gardens, art museums, children’s museums, general museums, historic houses and sites, history museums, nature centers, natural history and anthropology museums, planetariums, science and technology centers, specialized museums, and zoological parks. The SBA has based this definition on a few sources, including the Economic Aid Act, which directs the SBA to define museum based on 20 U.S.C. § 9172, as well as guidance published by the Institute of Museum and Library Services.

**5. How is “regular programming” being defined as a requirement for museums?**

While it may vary depending on the circumstances, generally the SBA is defining regular programming to mean programming provided on an ongoing and near-continuous basis of an average of at least four times a month over the course of a year in its qualifying theatre, lecture hall, or similar venue.

**6. Would heavy bleachers pushed back against the wall when not in use but never removed from a theater qualify as fixed seating?**

Yes. Any cumbersome seating not easily or regularly removed from a theater will be considered fixed.

**7. How is “promoter” being defined?**

A promoter is an entity or individual that organizes live events by performing artists and carries out tasks (other than as a vendor or service provider) such as renting a performance site, contracting with artists or a production company for the performance, marketing events, and collecting gate receipts. A promoter must have: (1) a profit (net income or loss) interest in the live event’s presentation; and (2) sole or joint rights to control the financial terms of the live event’s presentation, use of the venue, and/or marketing of the event. Promoters may own and/or operate live venues or contract for space and may include festival promoters or the promotion of live performing arts events at outdoor, festival spaces that have all the required characteristics of a qualifying venue.

**8. How is “theatrical producer” being defined?**

A theatrical producer is an eligible individual or entity (including the entity that employs the performers in a theatrical production) which has the responsibility for creating, producing, or operating live theatrical productions and that have either a non-passive profit (net income or loss) interest in a theatrical production (other than as a vendor or service provider) or sole or joint rights to

control a theatrical production. Theatrical producers are responsible for functions such as negotiating debt or equity financing with lenders or investors, financial and tax reporting, and closing the production. The term “theatrical producer” does not include individuals or entities that provide financial support for a theatrical production without either a non-passive profit (net income or loss) interest or the control described above.

**9. How is “performing arts organization operator” being defined?**

A performing arts organization operator is any entity (including a theatrical management business) which meets the criteria established under the Economic Aid Act and whose principal business activity is to create, produce, perform, and/or present live performances for audiences in qualifying venues, including amphitheatres, concert halls, auditoriums, theatres, clubs, festivals, and schools.

**10. How are “cover charges” being defined as a requirement for live venue operator or promoter?**

The SBA defines “cover charges” to encompass front door entrance fees, food or beverage minimums, or other similar charges required to gain admission to a venue, whether collected via ticket sales, addition to a tab, or direct payment.

**11. How is “defined performance space” being defined for live venue operator or promoter?**

A defined performance space is the distinct physical space reserved solely for the presentation of a performance, such as drama, music, dance, comedy, or other live performing arts activity.

**12. How is “defined audience space” being defined as a requirement for live venue operator or promoter?**

The defined audience space is the distinct physical area in which the audience experiences the performance for qualifying venues that host live performing arts events (not including museums and movie theatres).

**13. How is “mixing equipment” being defined as a requirement for live venue operator or promoter?**

Mixing equipment is a sound mixer that mixes two or more audio signals together, provides one or more output signals, allows adjustment of levels and enhancement of sound with equalization and effects, and creates monitor feeds.

**14. How is “public address system” being defined as a requirement for live venue operator or promoter?**

A public address system is an electronic system with at least one microphone, amplifier, and loudspeaker which increases the volume of a human voice, musical instrument, or other acoustic sound source or recorded sound or music.

**15. How is “lighting rig” being defined as a requirement for live venue operator or promoter?**

A lighting rig is a structure that holds lights in place for illuminating a stage or other defined performance space.

**16. How is “sound engineer” being defined as a requirement for live venue operator or promoter?**

A sound engineer is an individual who helps to produce a live performance by managing or enhancing source levels of sound, including by equalization and audio effects, mixing, reproduction, and reinforcement of sound.

**17. How is “booker” being defined as a requirement for live venue operator or promoter?**

A booker is an individual (e.g. a talent buyer) who books bands or other performing artists for venues and fields inquiries from performing artists and performing and their agents or representatives.

**18. How is “stage manager” being defined as a requirement for live venue operator or promoter?**

A stage manager is an individual who supervises the performance space and physical aspects of a production and oversees the performance space while a production is in progress.

**19. How is “security personnel” being defined as a requirement for live venue operator or promoter?**

Security personnel are individuals hired for a live event to provide protection and aid for attendees, performers, and venue employees. Duties of security personnel may include monitoring the event, maintaining order, escorting attendees out of events, and suppressing disturbances.

**20. How is “box office manager” being defined as a requirement for live venue operator or promoter?**

A box office manager is an individual who is responsible for overseeing the sale of all tickets or receipt of admission fees, and may include the task of ensuring the security of payments exchanged.

**21. How is “being paid fairly” for a performer being defined?**

Being paid fairly means that event performers are paid in an amount based on a percentage of sales, a guarantee (in writing or standard contract), or another mutually beneficial formal agreement. Venues may also compensate performers by sharing an agreed upon portion of revenues received through door fees along with drink or meal tickets that may fall below 1099 reporting requirements.

**22. How is “talent representative” being defined?**

A talent representative is an agent or manager for whom no less than 70% of their business operations (as measured with reference to their overall revenues, costs, devotion of time, contracts, and other indicia of business activity) involves the representation or management of two or more artists or entertainers. These operations must involve booking or representing musicians, comedians, actors, or similar performing artists primarily at live events staged in venues or at festivals in exchange for compensation founded on the number of tickets sold or a similar basis.

## Application

**1. \*What can an entity do to get ready to apply?**

As the SBA works on building the application platform, it would be in your best interest to reference the SVOG [Eligibility Requirements](#) and register for a DUNS number so you can then register in the System for Award Management (SAM.gov). Also, gather documents that demonstrate your number of employees and monthly revenues so you can calculate the average number of qualifying employees you had over the prior 12 months. Next, determine the amount of gross revenue loss you suffered between 2019 and 2020 to see if you qualify for one of the priority periods. Lastly, calculate the extent of gross earned revenue loss you experienced between 2019 and 2020 to see if you qualify for the non-priority period. This and additional information such as floor plans, contract copies and other evidence will be needed to apply for an SVOG and can be found in the SVOG [Preliminary Application Checklist](#) (this is a preliminary list and not all-inclusive).

**2. Must applicants register in the System for Award Management (SAM.gov) or can they use other identifiers like Individual Taxpayer Identification Numbers or Employer Identification Numbers**

### **to apply for an SVOG?**

SVOG applicants need to register with the federal government's SAM at [www.SAM.gov](http://www.SAM.gov) to apply and cannot use an ITIN, EIN, or other means of identification or registration. Interested parties are encouraged to obtain a Dun and Bradstreet (DUNS) number (a prerequisite for SAM registration) as soon as possible. With a DUNS number, interested parties then should immediately begin registering in SAM.gov, as the SAM registration may take up to two weeks once submitted.

### **3. \*When will SVOG applications open?**

The SBA expects open SVOG applications on April 8, 2021. We encourage you to stay up to date by frequently visiting [www.sba.gov/svogrants](http://www.sba.gov/svogrants) for information.

### **4. If an eligible entity is a hybrid nonprofit/governmental entity, should it apply under the nonprofit's name and submit documentation demonstrating the public/private partnership aspect of its structure?**

Yes. The SBA agrees that would appear to be the best approach to take under such circumstances.

### **5. If all SVOG program funds are expended during the program's initial phase, what will the SBA do with regard to making supplemental awards?**

If all SVOG funding is expended during the program's initial phase (or funds run out before the SBA can make fully funded supplemental awards to all eligible entities), the SBA intends to issue zero dollar 'placeholder' supplemental awards that could subsequently be modified to add funds in the event Congress appropriates additional monies for the program. Under this approach, an eligible entity that received a zero-dollar placeholder grant would still be entitled to the six-month extension afforded to recipients of supplemental phase awards.

### **6. How will capital funds, restricted grants, or investment income affect an entity's SVOG application?**

The SBA will take such financial resources into consideration when the Agency is examining an eligible entity's gross revenue. For example, the SBA will consider such sources of revenue for purposes of determining whether an applicant meets the requirement that no more than 10% of its 2019 gross revenue came from the Federal government (excluding disaster assistance) or determining whether it can demonstrate sufficient gross revenue loss to qualify for one of the priority periods.

### **7. What will be the timeline of distribution for the funds the SBA reserves for the small employer set-aside? Will the SBA fund small employer awards only during the non-priority period of the Initial Award Phase?**

To ensure the SBA can carry out Congress' intent that at least \$2 billion worth of SVOGs go to small employers, the SBA will draw upon the small employer set-aside funds throughout all stages of the Initial Award Phase. For example, where an eligible entity qualifies for the First Priority Period also qualifies as a small employer, the SBA will fund that grant using monies drawn from the small employer set-aside. To better facilitate the SVOG funding to small employers throughout all stages of the Initial Award Phase, the SBA is considering using its authority under the Economic Aid Act to set-aside more than the \$2 billion minimum that must be reserved for such purposes.

### **8. If ownership of an eligible entity was transferred prior to Feb. 29, 2020, could the new owners apply for an SVOG and use the revenues reported by the former owner? What about ownership transfers that occurred AFTER Feb. 29, 2020 if the entity had been operational on Feb. 29, 2020?**

Yes. Except where the new owner has any of the disqualifying characteristics specifically enumerated in the Economic Aid Act (either being itself or being majority owned and controlled by a firm listed on the stock market, that had more than 10% of its 2019 gross revenue come from Federal funding, that owns or operates eligible entities in more than 1 country and more than 10 states and that employs more than 500 people, or which presents sexually prurient live performances or derives more than de minimis gross revenue from the sale of sexually prurient material), the SBA will consider the new owner of an eligible entity to have stepped into the shoes of the prior owner for purposes of qualifying for the SVOG program. In the event of such a transfer, SBA will permit the new owner to use the prior owner's revenues as its own if the transferred entity was operational on Feb. 29, 2020, regardless of the date of the sale.

**9. How did the SBA determine what “revenue” to consider for establishing priority period eligibility?**

Congress simply referenced “revenue” for the SVOG priority periods in the Economic Aid Act. General rules of statutory interpretation require an agency to give meaning to every word where possible and apply the word's ordinary meaning. In the legislation, Congress used “revenue” in setting forth the priority periods, not “earned revenue” and specifically used the term “earned revenue” in other areas, illustrating its understanding of a distinction between the two terms and the ability to use the limitation where Congress deemed it appropriate.

**10. For determining applicant eligibility for priority periods, how is “revenue” being defined?**

The SBA will use gross revenues to determine how an entity qualifies for one of the priority periods.

**11. If the entity's SVOG application is declined, will an SVOG applicant be able to appeal or request a reconsideration of the decision?**

No. Given SBA's history of never offering appeals for denied grant applicants in any other program and the volume of expected SVOG applicants, the SBA will not institute an appeal process for denied SVOG applicants. Furthermore, given the potential for demand for SVOG funding to outpace supply, establishing an appeal process for denied applicants might further run the risk of tying up funding that could instead go to eligible applicants in dire need of timely assistance.

**12. Can affiliated entities use the same SAM registration to apply for up to five SVOGs or should each affiliated entity that desires to receive a SVOG individually obtain its own SAM registration?**

Each eligible entity applying for an SVOG must use its own SAM registration.

**13. If an entity is disregarded for tax purposes and doesn't file its own tax returns, should the disregarded entity apply for an SVOG or should the entity that files tax returns apply for the SVOG?**

Assuming both entities have their own separate legal existence and each meets the eligibility requirements under the Economic Aid Act, either could apply for an SVOG.

**14. Would an individual or business face any penalties for applying for an SVOG if it is later deemed to be ineligible for the program?**

If an entity submits an honest, good faith application for an SVOG but is denied funding for failure to meet one or more eligibility requirements, there would be no penalty and it would be free to apply for other programs they may qualify for. If, however, an entity makes material misrepresentations on its application as part of a fraudulent effort to obtain SVOG funding, it will have committed an act of



perjury and be subject to various civil and criminal penalties, as well as potentially being debarred from doing business with the Federal government.

**15. What are the reasons for which an entity's SVOG application might be denied?**

The SBA will reject an SVOG application where an entity: (i) submits an incomplete application; (ii) is attempting to commit fraud against the Federal government; (iii) fails to meet the definition of an eligible entity; (iv) lacks the required level of revenue loss; (v) possesses one or more of the disqualifying conditions identified in the Economic Aid Act; is part of a group of affiliated entities that currently has 5 active SVOG applications still pending; or (vi) all available SVOG funding has been exhausted.

**16. How will the SBA determine the amount of SVOG funding to award an eligible entity that started business operations in January or February 2020 and has no 2019 revenues?**

Like the manner in which a grant is determined for a firm that did not start in business until partway through 2019, the SBA will award an SVOG applicant that began business operations in January or February 2020 the lesser of the average monthly earned revenue for each full month it was in business in 2020 multiplied by 6 up to a maximum of \$10 million.

**17. Will the SBA require audited financial statements as part of an SVOG application?**

No, an audited financial statement is not required to apply for an SVOG award. However, where a for-profit SVOG grantee expends more than \$750,000 in Federal funding in one fiscal year it will have the option of either providing a Single Audit Act audit or submitting an audited financial statement for that fiscal year during the audit period.

**18. \*Will applicants be able to save their applications while in progress and then return to finish and submit them later?**

Yes. Applicants will be able to save their application at any point prior to submission and then resume where they left off.

**19. \*If someone submits an incomplete application will they have an opportunity to complete it?**

There will not be an opportunity to submit an incomplete application, as the online application system the SBA is developing will only allow complete applications to be submitted.

**20. \*If a grant award is disbursed in installments, will the SBA obligate the funds for the award all at once or will the obligation also be done in installments?**

The full amount of each SVOG will be obligated when an award is issued, regardless of whether it will be disbursed in installments. This will ensure that each SVOG is fully funded.

**21. \*How will the SBA prioritize applications within each priority period? Will it be on a first-come, first-served basis or will it be based on the size of the percentage of revenue loss suffered?**

Within each priority period and the non-priority period, the SBA will process applications in the order in which they were received.

**22. \*What information about me or my business that I submit as part of my application will be disclosed to the public?**

The SBA will exclude any personally identifiable information about you (such as your Social Security Number) or confidential business information about you or your firm (such as financial data) from disclosure under the Freedom of Information Act, though such information may be shared with SBA's



Office of Inspector General, the Government Accountability Office, and/or members of Congress in response to a proper and official request. However, if you are selected to receive an SVOG, the SBA must report the award amount along with the name and address of your firm, or your name and address if you applied as an individual, in the publicly searchable database USASpending.gov. To help ensure all confidential business information is properly excluded, the SBA recommends you mark any documents you submit that contain such information with the phrase “Confidential Business Information.”

**23. \*Will an SVOG recipient have to report the grant to the IRS as taxable income?**

No. The Economic Aid Act specifies that SVOGs “shall not be included in the gross income of the person that receives such grant.”

**24. \*Will an SVOG recipient also be eligible for a grant under the Restaurant Revitalization Fund?**

No. The American Rescue Plan Act details SVOG recipients are ineligible to apply for assistance under the Restaurant Revitalization Fund.

**25. \*Will venues that lack box office reports to submit with their applications (whether because they are used by outside promoters or because they are smaller operations that retain fewer records) be allowed to present other types of evidence that they host shows regularly, such as the agreements with outside promoters?**

Yes, other types of evidence such as those described should suffice.

**26. \*Many venues have permanent infrastructure for hanging sound and lights as opposed to owning in-house systems because some artists have their own equipment hung for every show. For acts without their own gear, the venues rent equipment. Also, some venues may have sound systems permanently installed but do not have the receipts or the itemized insurance statements showing insurance coverage. Can such venues satisfy the “proof of a sound system” requirement through other types of evidence such as rental receipts, photographs, tech specification sheets, production reimbursement receipts, etc.?**

The SBA agrees that the suggested alternate types of evidence would be adequate proof that a venue possesses the required equipment.

**27. \*What documentation must a talent representative provide along with its application to verify they meet SVOG eligibility requirements?**

A talent representative applicant must provide a list of performing artists they booked or managed in 2019 that includes the venues for which they were contracted to perform, the city and state of the venues and the performance dates. They must also submit a current roster of performing artists which they book or manage that primarily work in live venues or festivals. This roster must also appear on the applicant's website and be published in print or online in an industry-recognized trade publication registry. A talent representative applicant must provide fully executed contractual service agreements between the talent representative and 2 artists, or signed statements from 2 artists certifying the applicant represented them for live performances in 2019 and 2020. A talent representative must also provide fully executed contracts for live performances that took place in a venue or at a festival in 2019 and 2020 for 2 artists the applicant managed or booked.

**28. \*For the list of current employees required on the applicant checklist, is “current” defined as “the date of grant application submission”?**

Yes. However, if the applicant furloughed everyone because they are shuttered, then the most recent employee list prior to the venue being shuttered will be adequate.

**29. \*Should a non-profit provide the ID of its president/CEO to meet the applicant checklist requirement of a photocopy of the applicant's ID?**

A non-profit should provide the ID of the principal officer of the entity submitting the application, as the photocopy of the applicant's ID is a requirement that applies to all applicants.

**30. \*If applying under one Employer Identification Number for multiple theatre locations, should documentation required in the application checklist (pictures of the layout, projection booth, box office reports, marketing media, etc.) be provided for each location?**

Yes. The required information must be provided for each location covered by an SVOG application.

**31. \*Does the applicant need to submit state tax returns for application or just federal tax returns? Do the tax returns need to be signed and dated by the applicant?**

Only Federal tax returns are required; they must be signed and dated copies of returns submitted to the IRS.

## Use of Funds

**1. Can SVOG funds be used to refund customers still holding tickets for cancelled performances?**

Yes, it appears this type of cost would qualify under the Economic Aid Act as a necessary and ordinary business expense. As such, it should be an allowable use of grant funds to make refund payments to patrons for cancelled shows.

**2. Can SVOG funds be used to reimburse an owner who put their own money into the entity to keep employees and operating expenses paid?**

Yes. Owners of eligible entities may be fully reimbursed for personal funds they contribute(d) to an entity to keep it in operation between March 1, 2020, and Dec. 31, 2021 (or June 30, 2022, if the entity receives a supplemental phase award), provided sufficient documentation of the transfer and expenditure of such funds exists. Without such documentation, claimed owner reimbursements will be treated as compensation or distributions of profits and subject to the cap on such payments noted in question 3 in this section.

**3. How is owner compensation treated under the program?**

Owner compensation, including distributions and dividends, will be treated as an ordinary business expense by the SBA and thus payable using SVOG funds to the extent that the total amounts involved do not exceed what an owner received in compensation in 2019.

**4. Can grantees use SVOG funds to reimburse themselves for allowable expenses they already paid going back as far as March 1, 2020?**

Yes. The SBA believes this would be permissible under the Economic Aid Act.

**5. Is debt refinanced or consolidated under a new lender, but existed prior to Feb. 15, 2020 considered an eligible expense? What about a line of credit or revolving loan that existed prior to Feb. 15, 2020, but was drawn down after that date?**

Yes. Payments toward debts recorded prior to Feb. 15, 2020, represent an allowable expense even if the debt was refinanced or consolidated with other debts that existed prior to that cutoff date. Any otherwise allowable debt consolidated with a debt that was not recorded prior to Feb. 15, 2020,

would continue to be an allowable expense only to the extent of the original qualifying debt. Any additional amount of indebtedness following the consolidation that is attributable to the nonqualifying loan would not be an allowable expense. Additionally, payments on lines of credit or revolving loan funds recorded prior to Feb. 15, 2020, but not drawn down until after that date would also be an allowable expense. Where an existing line of credit or revolving loan fund was increased after Feb. 15, 2020, only the pre-Feb. 15, 2020, amount would represent an allowable expense. SVOG funds could not be used to make payments on any increase in the indebtedness.

**6. Do ‘state and local taxes’ identified as allowable expenses include real estate taxes and personal property taxes on buildings and equipment?**

Yes. Where real estate taxes and personal property taxes are levied on buildings and equipment directly related to eligible SVOG program operations they may be paid using grant funds. Taxes on property and equipment owned by an eligible entity not directly related to its SVOG program operations are not an allowable expense.

**7. Do interest-bearing bank accounts fall into the category of investing funds?**

No. Use of an interest-bearing bank account to hold SVOG funds would not constitute an impermissible investment.

**8. Can a grantee include the uncredited portion of an individual’s salary for whom it has received an employee retention tax credit (ERTC) as an allowable expense under an SVOG?**

Yes. Where an eligible entity receives an ERTC for one of its employees and that credit does not fully cover the employee’s salary, SVOG funds may be used to pay the uncredited portion of the employee’s salary. SVOG funds cannot be used to pay any portion of an employee’s salary covered by an ERTC.

**9. Will SVOG awards count toward the Single Audit Act threshold?**

Yes. As a Federal grant program, all funds awarded under the SVOG will count toward an entity’s requirement to comply with the Single Audit Act if it receives \$750,000 or more in Federal grant funding during a single fiscal year.

**10. Will SBA consider audit costs to be an allowable expense?**

Yes and no, depending on the audit threshold. Where an SVOG recipient is covered by the Single Audit Act, it may charge a reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act to its SVOG. For SVOG recipients not covered by the Single Audit Act, audit expenses will not generally be considered an allowable grant expense.

**11. Is depreciation an allowable expense under SVOG?**

Yes. The SBA will allow SVOG recipients to use grant funds to cover the cost of depreciation in accordance with the principles outlined in 2 C.F.R. § 200.436.

**12. How are “ordinary and necessary expenses” being defined?**

Ordinary and necessary expenses will be defined using the IRS definition, as the Economic Aid Act does not define ordinary and necessary expenses. Per the IRS, “an ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your trade or business. An expense does not have to be indispensable to be considered necessary.”

**13. How long will SVOG recipients have to use their grant funds?**

Recipients who receive an SVOG in the initial phase will have one year from the date their awards are disbursed by the SBA to use grant funds. If an eligible entity receives a Supplemental Phase SVOG, they will instead have 18 months from the date their Initial Phase award was disbursed by the SBA to expend all their combined grant funds (both Initial and Supplemental Phase awards). At the end of the applicable deadline, SVOG grantees must return all unexpended SVOG funds to the SBA.

**14. May SVOG funds be used to pay artist deposits and guarantees?**

Yes. Understanding that artists are typically independent contractors paid out of ticket proceeds and in many cases the proceeds are not available prior to the show closing so entities often use deposits and/or guarantees to provide prior payments to artists, the SBA believes this use of SVOG funds is authorized as an ordinary and necessary business expense.

**15. Will an SVOG be disbursed in one lump sum or in multiple payments? If multiple payments are used, what will the time frame be for payout?**

Depending on the size of the award and other risk factors, some SVOGs will be disbursed in the form of a single lump sum while others will be spread out over multiple payments. In general, most SVOGs under \$1 million are deemed to pose a low risk and will be disbursed in one or two installments. Awards for larger amounts are deemed to be a higher risk and will be disbursed in two to four installments. Where payment is made via installments, the schedule of payments will depend upon the grantee’s submission of documentation of an SVOG recipient’s use of the initial fund disbursement and their 2020 federal tax return. The SBA understands not all entities will file a 2020 federal tax return at the same time and will collect documents accordingly. In every case, installment payments will not be made according to a specified calendar or a set amount of time. A grantee’s disbursement will depend on how quickly it can provide the required documentation.

**16. Is there a difference between the amount of time an SVOG recipient has to expend award funds and the period of time during which they may incur allowable costs?**

Yes. While a recipient of an Initial Phase SVOG has one year from the date of its award to expend its grant funds, it can only use those funds to pay allowable items of cost incurred between March 1, 2020, and Dec. 31, 2021. Where an entity receives a Supplemental Phase SVOG, it will have 18 months from the date of its Initial Phase Award to expend its grant funds, but it can only use those funds to pay allowable costs incurred between March 1, 2020 and June 30, 2022.

**17. Can SVOG funds be used to make payments on SBA-backed loans?**

Yes. The Economic Aid Act states SVOG funds may be used for “scheduled payments of interest or principal on any indebtedness or debt instrument.” Given the broad language used by Congress, the SBA will treat payments on SBA-backed loans as an allowable expense under the SVOG program.

**18. \*Can SVOG funds be used to make employees whole for temporary reductions in pay an employer had to impose due to economic circumstances under the pandemic?**

No. SVOG funds may only be used to pay the actual incurred expenses of a grant recipient. An employer cannot use SVOG funds to pay for costs it did not actually incur.

## **Business Size/Employees**

**1. How should an entity determine its employee count?**

For employee count, the SBA is drawing on the Economic Aid Act’s specific provisions re: the calculation of employees and decades of agency experience in counting employees under the SBA

size regulations (13 C.F.R. § 121.106). Employees that work at least 30 hours per week are considered full-time. Employees that work between 10-29 hours per week are considered one-half of a full-time employee. Employees that work less than 10 hours per week are not considered an employee. Once the qualifying employees are determined, an entity must then calculate the average number of employees it had over the prior year by adding up the number of qualifying employees in each individual pay period and dividing that amount by the number of pay periods over the 12-month period from Mar. 1, 2019 to Feb. 29, 2020.

For example, assume a firm paid its employees monthly and had the following number of qualifying employees each pay period:

Mar 2019 – 9.5 full-time employees  
Apr 2019 – 8 full-time employees  
May 2019 – 9.5 full-time employees  
Jun 2019 – 8.5 full-time employees  
Jul 2019 – 10 full-time employees  
Aug 2019 – 10 full-time employees  
Sep 2019 – 7 full-time employees  
Oct 2019 – 8.5 full-time employees  
Nov 2019 – 7 full-time employees  
Dec 2019 – 6 full-time employees  
Jan 2020 – 7.5 full-time employees  
Feb 2020 – 6 full-time employees

The sum of the firm's full-time employees is 97.5. The firm would then divide 97.5 by 12 (the number of pay periods) to determine its average number of full-time employees was eight.

**2. Which priority or phase is number of employees considered?**

There is no priority based on number of employees in the application process. Per the Economic Aid Act, the \$2 billion small employer set-aside for those with 50 employees or less is a separate aspect of the awarding process from the priority periods.

**3. Are institutions of more than 500 employees eligible to apply for an SVOG if they meet other eligibility criteria?**

Yes, if they do not operate in either more than 10 states or another country.

**4. For determining employee counts and the average number of employees, what should an entity do if the date range doesn't match neatly with the payroll schedule (e.g. biweekly)?**

An entity's average number of full-time employees will be determined with reference to each pay period that falls, either in whole or in part, within the 12-month timeframe stipulated by the Economic Aid Act. For example, if an entity's biweekly pay period ran from Feb. 18, 2019, to March 3, 2019, that pay period would have to be considered when determining the entity's number of full-time employees, even though only three days of that pay period fell within the 12-month timeframe. In this case, the entity would average the employee's weekly hours for that pay period (considering the days that fell outside the 12-month timeframe) to determine if they were a full-time employee in the first covered pay period. If the employee worked 40 hours from Feb. 18-24, 2019 and 30 hours from Feb. 25-March 3, 2019, their weekly average for that pay period would be 35 hours and they would be counted as a full-time employee for the first pay period. Similarly, where the final covered pay period

falls in part outside the 12-month timeframe, the entity will look to the weekly average for the entire pay period when determining whether individuals were full-time employees for that final pay period.

**5. If an entity has a biweekly payroll schedule it will likely have some staff who work less than 10 hours for the first week of a pay period and more than 10 hours for the second week of a pay period. Would the entity average their total hours over those two weeks to determine if they were a full-time employee for purposes of that pay period?**

Yes, when calculating their number of full-time employees, entities will use a weekly average of the employees' total hours over that pay period. For example, if an entity has a biweekly pay period and an employee worked 10 hours the first week and 30 hours the second week, the employee would have worked an average of 20 hours per week during that pay period and would be considered half a full-time employee for that pay period. While the Economic Aid Act defines full-time employees in terms of how many hours they work per week, for the small employer set-aside, the SBA will look to the average number of full-time employees an entity has per pay period over the course of a set 12-month period.

## Revenue

**1. How are “earned revenue” and “gross earned revenue” being defined by the SBA?**

As required by the Economic Aid Act, the SBA is defining earned revenue and gross earned revenue (the two terms in the law) in accordance with common principals of the accrual method of accounting. Using this, only monies organizations receive from the sale of goods or services are counted as earned revenue. This commonly accepted definition of earned revenue does not include other sources of funds that an organization may receive, such as donations, sponsorships, governmental assistance, or returns on investments. Gross earned revenue is the total of earned revenue from various sales of goods or services, such as admission tickets, merchandise, food and beverages, advertising sales and contracted presentation income.

**2. How is “gross revenue” being defined by the SBA?**

Gross revenue is functionally equivalent to ‘receipts,’ which the SBA has defined under 13 C.F.R. § 121.104 as meaning “all revenue in whatever form received or accrued from whatever source.” This will include contributions, donations, and grants from any and all sources (excluding any disaster assistance funding).

**3. Are donations / contributions included in gross earned revenue?**

No. Only earned revenue should be included in calculations of gross earned revenue. Unearned revenue, including donations and other gratuitous contributions, such as foundation grants and individual gifts, should not be included.

**4. Are fundraising event receipts considered gross earned revenue?**

In dealing with fundraising events, the SBA will follow the same general principles applied to tax deductions for donations to charities. This means that the portion of the amount an individual pays in connection with a fundraising event which represents the estimated value of the good or service they receive in exchange must be included in gross earned revenue. However, that portion of the amount such an individual pays that exceeds the estimated value of the good or service they receive will be considered a donation and is not included in gross earned revenue.

For example, if a ticket to a fundraising dinner costs \$100 per person and the estimated value of the dinner provided is \$50, then \$50 of the funds generated from the fundraising ticket would be



considered gross earned revenue and the other \$50 would be considered a donation and would be excluded from gross earned revenue.

**5. Does a non-profit count contributions and grants revenue?**

No. Both contributions and grants revenue would be excluded from an organization's earned revenue. However, the SBA will take into account an organization's Federal grants revenue to determine whether it meets the eligibility limit of having no more than 10% of its gross revenue from Federal sources, not including disaster assistance.

**6. Does a non-profit count membership revenue?**

Yes and no; like fundraising, the portion of membership cost that represents the estimated value of the goods or services provided as a condition of membership should be included in gross earned revenue. The portion of a membership cost that exceeds the estimated value of the goods or services provided as a condition of membership is considered a contribution and excluded from gross earned revenue.

**7. If a business provides talent representation and financial services for athletes and entertainers, would it use total revenue or just the portion of sales from talent representation services?**

The business would use gross earned revenue from all sources. It would also need to satisfy the requirement that the principal line of business is talent representation versus financial services.

**8. What is included in the 10% maximum for federal grants/funding?**

The 10% maximum for federal grants/funding covers everything regardless of the use of the grant/funding except disaster assistance.

**9. Is rental income from tenants and income from renting the venue for private events counted as earned revenue?**

Yes, rental income from longer-term tenants and from short-term rentals for event hosting should be included in earned revenue because they derive from standard commercial transactions for the paid use of facilities.

**10. If an eligible entity has multiple lines of business activity, including a line(s) not covered by the SVOG program, should it include earned revenue derived from those business lines?**

Yes. If an applicant's primary business activity places them within one of the categories of an eligible entity under the Economic Aid Act, then they should use their gross earned revenue across all their business activities and not exclude any non-SVOG revenue streams.

**11. Is school tuition (e.g., charged by a dance school that operates a live venue) considered earned revenue?**

Yes. Tuition payments will be treated as earned revenue.

**12. Will the SBA treat funds raised via capital campaigns differently than other types of fundraising proceeds?**

Yes. Given the unique nature and objective of capital campaigns conducted by nonprofits, the SBA will exclude all funds raised via capital campaigns from calculations of earned revenue.

**13. Will the SBA look to calendar year 2019 or fiscal year 2019 earned revenues as the basis for calculating award amounts?**



The SBA will permit applicants to use either their fiscal year 2019 or calendar year 2019 earned revenues as the basis for determining the award amount for both Initial Phase and Supplemental Phase SVOGs. Whichever option an applicant selects will apply to both award phases. Applicants cannot use their fiscal year 2019 for one award phase and the calendar year for the other.

**14. \*Will earned revenue be analyzed/reported net of sales tax, returns, and discounts?**

Yes. Amounts that represent the costs of taxes collected for and remitted to a taxing authority, or returns, and post-sale discounts may be deducted from earned revenues.

**15. Does the exclusion of disaster assistance funds only apply to funds received directly from the Federal government?**

No. Disaster assistance funds an eligible entity receives, whether directly from the Federal government or indirectly through a state government, will be excluded from the entity's gross revenues. For example, if a state government received CARES Act funding from the Federal government in a lump sum and apportioned it to make grants to small businesses, those state-issued grants also would be excluded from an entity's gross revenue.

**16. Will the SBA treat funds derived from sponsorships as earned revenue or gross revenue? Will sponsorship revenue be treated the same for for-profit and non-profit entities?**

The treatment sponsorship revenue will receive will depend on whether an entity is a for-profit or non-profit entity. Because it represents payment made in exchange for a service (i.e., recognition or advertising), sponsorship payments (such as naming rights) received by for-profit entities will be considered earned revenue. Like the treatment afforded memberships and fundraising events, sponsorship payments received by non-profits will be considered part earned revenue and part gross revenue. In such cases, the sponsorship payment amount a non-profit receives that represents a fair market value for services in exchange (i.e. promotion, free admission, use of facilities) will be deemed earned revenue and the portion of the sponsorship payment that exceeds that amount will be deemed a contribution and thus gross revenue. For example, if a company gives \$25,000 to a non-profit and for that, gets its logo in a program, event admission and screen time on monitors at the venue, then the "market cost" of those items are earned revenue and the remaining is gross revenue.

**17. \*Will the SBA require entities to use the accrual method of accounting only when determining their qualification for a priority period, or must they also rely on the accrual method for establishing their award amount and/or non-priority period eligibility?**

The accrual method of accounting is only required when determining whether an entity qualifies for one of the priority periods under the Economic Aid Act. For all other purposes, an entity may rely upon either the accrual or cash method of accounting.

**18. \*How will the SBA categorize a partner's standard, non-passive revenue (such as that reported on an IRS schedule K-1)?**

The SBA will include this type of revenue in the definitions of both gross revenue and earned revenue.

**19. \*How will the SBA treat cases where all the revenue of an applicant that commenced business operations and incurred costs in 2020 was refunded due to closures and cancellations brought on by the COVID-19 pandemic?**

In such cases, an applicant may include these refunded amounts in both its gross revenue and earned revenue.

# Subsidiaries & Affiliates

## 1. For entities with subsidiaries, does each entity need to meet the eligibility criteria independently?

No. Subsidiaries only need to meet the eligibility criteria independently if they are applying for SVOG awards on their own. If subsidiaries are included in a parent entity's SVOG application, only the parent entity needs to establish its eligibility. Additionally, per the Economic Aid Act, subsidiary entities that qualify for an SVOG will not be treated as affiliates of their parent entity or one another.

## 2. How are shared expenses across affiliated organizations treated?

Assuming an entity with subsidiaries (parent) shares costs with its subsidiaries, the parent's shared costs (or allocated costs to subsidiaries) remain as such, and the parent should keep records to show that all expenses claimed under the grant served grant purposes. If a subsidiary is eligible to apply for and applies for its own grant, only the portion of the shared cost that the subsidiary pays can be paid for by the SVOG should it be received.

## 3. Are there limits on the number of affiliates that can receive an SVOG or the total between them?

Yes, a maximum of five business entities related via affiliation (for example, one parent firm and four subsidiaries) can receive an SVOG. In addition, an eligible museum, and all other museums it operates as subsidiaries may receive no more than \$10 million combined under the program.

## 4. If a parent company is ineligible for an SVOG, can one of its subsidiaries still be eligible?

In general, yes. The Economic Aid Act specifically allows up to five firms with a subsidiary/parent relationship to apply for an SVOG providing they can meet the eligibility requirements in their own right, and the fact that one of them is ineligible generally should not preclude the others eligibility. However, a subsidiary would not be eligible where it is majority owned and controlled by a parent entity that is either listed on the stock market or owns or operates eligible entities in more than 1 country and more than 10 states and has more than 500 employees. In either of those cases, the Economic Aid Act mandates that a subsidiary entity is ineligible for an SVOG even if it meets all the other requirements.

## 5. May a parent company include its subsidiaries in an SVOG application, or do separate applications need to be submitted for a parent and each subsidiary?

Yes. While subsidiaries can apply for SVOGs on their own, they are not required to do so. A parent company can submit an application that includes some or all its subsidiaries if it wishes to.

## 6. What does it mean for two or more entities to be affiliated?

Affiliation occurs where one firm has the power to control another firm, or a single person or entity has the power to control both. Affiliation typically arises due to common ownership, management, or through contractual or other legal arrangements. The SBA uses the principle of affiliation to help it determine if an entity is eligible for some government program or benefit reserved for small businesses. Where firms are found to be affiliated with one another, the SBA will combine their revenues and number of employees and compare those aggregated amounts to the relevant size limit for the program or benefit one of the firms is seeking. In this way, the SBA ensures that a firm which appears to be small but is actually controlled by a large corporation does not take a benefit meant only for small firms. The rules regarding affiliation in the context of SBA's financial assistance programs may be found at 13 C.F.R. §121.301(f).

**7. How will the SBA apply the principle of affiliation to the SVOG program?**

In administering the SVOG program, the SBA will take into account the principle of affiliation in the following contexts: (1) In applying those provisions of the Economic Aid Act that specifically reference affiliation; and (2) In determining whether an applicant qualifies for the small employer set-aside. Given the SVOG program's statutory design and the fact that it is not strictly a small business program, the SBA will not consider affiliation in any other context, including general eligibility. The Economic Aid Act mentions affiliation in two ways. First, it says affiliated firms (including subsidiaries) may apply for SVOGs on their own if they meet all the eligibility requirements. Second, it says that no more than five affiliated firms may receive SVOGs. In applying these two provisions, the SBA will rely upon the general principles of 13 C.F.R. § 121.301(f) to determine when firms are affiliated. Regarding the small employer set-aside, it requires the SBA to reserve no less than \$2 billion in SVOG program funding for awards to eligible entities with no more than 50 full-time employees. The small employer set-aside is the only definitive size limit in the Economic Aid Act and the SBA will administer it in the same way it does other size limits. When calculating how many full-time employees an SVOG applicant has for purposes of determining whether it qualifies for the small employer set-aside, the SBA will look to the total number of full-time employees retained by the applicant and all of its affiliated entities. If this combined number is not more than 50, the applicant will qualify for the small employer set-aside.

**8. No longer relevant / deleted per the American Rescue Plan Act being signed into law.**

**9. If a theater circuit has five theaters, each a separate legal entity, but filed with a consolidated tax return, are they considered five entities or one entity?**

Five entities. Consolidating tax returns does not strip subsidiary or affiliated entities of any separate legal existence they may possess.

**10. A motion picture theatre business is organized into two legal entities (the motion picture theater management company and the motion picture theater operating company) and never separately allocated revenues between the two because all income and expenses are consolidated. The management company and operating company each plan to apply for separate SVOGs. For purposes of determining the respective revenues of each separate affiliate, may the business apply a reasonable method of dividing revenue between the two entities?**

Yes. In allocating revenues and expenses to the separate entities the owner should consider the roles and responsibilities of each entity and the effort and other resources each contributed to the consolidated operations and ensure that any such division is reasonable and well documented.

**11. How is "subsidiary business" being defined?**

A subsidiary is an entity that is either wholly or majority-owned and controlled by another entity.

**12. If a company has 10 subsidiaries or affiliates that are independent legal entities could all 10 apply for an SVOG at once with the understanding that only five of them could receive grants?**

No, no more than five affiliated eligible entities may have active SVOG applications pending before the SBA at any one time to efficiently allocate resources and reduce the potential for erroneous SVOG awards which would need to be cancelled and possibly recouped. Any applications received above the five affiliated-entity limit will be rejected without being evaluated. Under this scenario, however, where an affiliated eligible entity's application is evaluated and declined, another affiliated eligible entity could then apply.

### **13. \*Now question 1 in a new section – Supplemental Phase**

#### **14. Does the limit on a group of affiliated entities having no more than 5 active SVOG applications pending before the SBA (or receiving more than 5 SVOGs) also apply to entities owned by state or local governments?**

Yes. No more than five eligible entities owned by the same state or local government may simultaneously apply for or receive SVOGs.

#### **15. Can two affiliated eligible entities both use the employer identification number of their parent to apply for their own SVOG? For example, could a concert hall and a movie theatre owned by the same parent entity each use that parent entity's EIN to apply?**

No. Only one SVOG application and award will be allowed per EIN. Additionally, where a parent entity's EIN is used, it is the parent entity that must meet the statutory definition of an eligible entity rather than its subsidiaries or internal divisions.

#### **16. \*When will the SBA consider two entities with common ownership to be affiliated for purposes of the SVOG program?**

Consistent with the size regulations for disaster financial assistance programs (see 13 C.F.R. § 121.301(f)) the SBA will only consider two firms to be affiliated for purposes of the SVOG program where one firm owns more than 50% of the other or a single person or entity owns more than 50% of both.

#### **17. \*Can 2 or more firms affiliated due to their common ownership by another firm apply jointly?**

While affiliates may apply for the SVOG program in their own name assuming they meet the eligibility requirements or may be included in an application submitted by their ultimate parent entity, they cannot team up together on an application unless one of the firms owns more than 50% of the other. For example, if Company A owns 100% of Company B, which owns 100% of Company C, then Company C could apply in its own name or be included in either A or B's application. Conversely, if Companies B and C are both 100% owned by Company A then they could each apply in their own name or be included in A's application, but B and C could not pair up together to submit an SVOG application.

## **Supplemental Phase**

#### **1. For seasonally-operated entities, will an alternative earned revenue loss comparison of Q1 2021 to Q1 2019 method be used for supplemental award eligibility?**

Yes, where an entity operates seasonally rather than year-round, the SBA will permit the seasonally-operated entity to compare its Q2 2021 earned revenues to its Q2 2019 earned revenues to demonstrate whether it has experienced the 70% earned revenue loss required for supplemental grants.

#### **2. \*Can eligible entities include an application for a supplemental grant as part of the initial grant request, or will they be required to submit a separate supplemental application later?**

The SBA needs to finish the initial round of awards before proceeding to the supplemental phase and the criteria and calculations for issuing supplemental awards are dependent on the outcome of initial round. As such, supplemental grants will be awarded pursuant to a separate application process after the initial phase.