**Responses to unanswered questions raised during 9/15/2020 Microenterprise training**

**Q 1) Can IRS 941 form be used to verify number of employees?**

A 1) The number of employees receiving wages, etc. are reported on Form 941 and filed quarterly, making this a useful tool for verifying persons employed. However, be aware that the NOFA requires that for qualifying as a microenterprise the number of employees must be counted on the date of application.

**Q 2) Can owner one of two businesses qualify?**

A 2) Each business may qualify individually if it meets all Microenterprise Parameters listed in the Microenterprise training presentation, NOFA, etc. However, if the owner is being qualified as LMI, all sources of income, including from both businesses, would be counted.

**Q 3) HVAC upgrades eligible?**

A 3) Possibly, if required for operation in Covid-19 environment (e.g., increased filtration or air flow in a restaurant). Bear in mind that undertaking physical work with the grant funds will trigger revisions to the environmental review, and if the cost exceeds $2,000 Davis-Bacon wage rates will apply.

**Q 4) Can funds be used to pay back a loan for Covid-19 adaptation enhancements? Can funds be used to pay federal taxes?**

A 4) Funds for working capital may be used for general operating costs (e.g., rent, staffing, utilities). Payment for loans and taxes may be problematic. Payment of loans could be considered a Duplication of Benefits.

**Q 5) Can funds be used to purchase a vehicle as inventory for re-sale by a used car dealer?**

A 5) Possibly, but more details are needed to reach a definitive determination. (E.g., was the business closed? Did it suffer a Covid19-related loss?)

**Q 6) Is the grant considered income?**

A 6) DHCD cannot offer tax advice. However this document was obtained by a grantee and may contain relevant information from the MA DOR.



**Q 7) If a business has a documented loss of $7,000, but the service they need costs $9,000 is the grant limited to $7,000?**

A 7) Yes.

**Q 8) If a business shows a loss of $8,000 and needs $8,000 in working capital and another $2,000 for technical assistance, is that allowed?**

A 8) Yes. The technical assistance does not need to be offset by a corresponding loss.

**Q 9) A business shows a gross profit loss and net profit gain. Can we use the gross profit loss?**

A 9) For the purposes of this program business loss means either loss of income or increased costs related to Covid-19.  We’ve suggested several ways of measuring loss of income including loss of revenues, profits (generally meaning net profits) or accounts receivable.

**Q 10) A business that provides in-person artist workshops wants to purchase video equipment in order to provide these services remotely. Is this purchase eligible?**

A 10) Yes, provided all other standards and criteria are met including not being a major equipment purchase (generally more than $5,000).

**Q 11) An applicant has an on-line community information/resource business for families (family activities, outings, workshops, announcements etc.)  Due to Covid-19 advertisers have decreased, thereby decreasing revenue.  The applicant would like to purchase items such as books, games and cd’s to bundle together as seasonal learning kits for kids/parents and offer them for sale on the website.  The new activity is expected to allow the business to stabilize.**

A 11) Yes, this is not what we mean by “business expansion” and likely okay.

**Q 12) It is understood that a business must be located in a participating city or town (or regional application community), but must the owner also reside in a participating community?**

A 12) There is no state or federal requirement that the owner reside in a participating community. However, if the local community requires residency in its program design, then that requirement must be followed. Also be aware that if the owner will be qualified as LMI the LMI data must be used for the community where the owner resides.

**Q 13) How long is the program period in the grant agreements?**

A 13) The grant agreements are written for 18 months but given the simplicity and emergency nature of this program we expect most funds to be drawn down within a few months.

**Q 14) What is the required documentation that businesses will need to provide to us before they receive a grant?**

A 14) Refer to Microenterprise training presentation under LMI Limited Clienteleand Source Documentation and Minimum Standards.

**Q 15) What is required for proof of minority, veteran or women owned business?**

A 15) This information is self-reported with the application.

**Q 16) Is a DUNS number required from each business?**

A 16) Yes. If a business does not have a DUNS number one may be obtained at [this link](https://products.dandb.com/duns-number/?serv=SEMCOSMSN332609&utm_medium=cpc&utm_source=bing&utm_campaign=CRED_US_FY18Q3_brand_duns_application&utm_content=report&term=get_a_duns_number&mt=exact&_bt=79302343069739&msclkid=25c05304ed911cefae160c6c0beca9ea&utm_source=bing&utm_medium=cpc&utm_campaign=Credibility%7CBrand%7CExact%7CUS&utm_term=get%20a%20duns%20number&utm_content=Duns%20-%20Application&gclid=CKi_5r3m-usCFYuVswod8zQEpA&gclsrc=ds) and must be reported quarterly.

**Q 17) For the requirement that businesses must have 5 or fewer employees, does this include all part-time staff and contract staff? E.g., Can businesses add up part-time staff to equal a FTE position?**

A 17) No. The requirement is that a microenterprise (at the time of application) include no more than five (5) employees, including owner(s). Employees are persons, not full-time equivalent positions. There is no adjustment for full or part-time status.

**Q 18) Are there restrictions on how long businesses can use the grant money for on the DHCD end or restrictions on how many months of expenses they can use the money for?**

A 18) Expenditures must be completed within the term of the Program Assistance Agreement, which cannot exceed the term of the Grant Agreement between DHCD and the City/Town. However given the urgent nature to assist local businesses, we expect these funds to be expended within a few months.

**Q 19) Could a business spend grant funds on supplies and materials or inventory that was lost due to the forced closure of stores?**

A 19) Yes, assuming all other criteria met.

**Q 20) What process are you looking for to make a technical expense an appropriate expense for that business (i.e. following procurement procedures)? Are there any restrictions on consulting services and how a business obtains technical assistance?**

A 20) DHCD is looking for source documentation of expenditures that demonstrate reasonable costs. Because the grants are small in dollar value, and because the business owner does not need to follow MA procurement standards, expenditures should be deemed reasonable using “sound business” judgement. As the funds are provided to businesses due to the urgent nature to respond to the pandemic, it is presumed that the business will need to stretch the funds as far as possible and would be mindful of cost reasonableness.

**Q 21) What are your reporting requirements on business expenses for auditing purposes and what is the required documentation you need?**

A 21) Refer to Microenterprise training presentation under Documenting the Assistance, Source Documentation, and Record Keeping.

**Q 22) What required program documents are needed between the business and the City? Are there requirements on language that needs to be in the contract between the City and the business?**

A 22) You must execute a Program Assistance Agreement between the business and the City/Town. Refer to Microenterprise training presentation under Program Assistance Agreement for details.

**Q 23) Can we cut a check for businesses before receipts are received?**

A 23) Yes, provided you have a mechanism in your Program Assistance Agreement specifying follow-up expectations, reporting, documentation, etc.

**Q 24) Any specific documentation needed to prove that businesses are not "double dipping" in government funding other than an invoice and receipts of expenses and descriptions of funding for all grants they are receiving?**

A 24) Yes. Every applicant must complete and sign a Duplication of Benefits form, which specifies the CARES Act requirement that there are adequate procedures in place to prevent any duplication of benefits. Grant funds must be repaid if found to be duplicative. Refer to Microenterprise training presentation under Duplication of Benefits for details.

**Q 25) Do we need to complete a debarment check to see if a business is prohibited from doing business with government?**

A 25) No. Debarment checks are not required.

**Q 26) Requirement to ask for race/ethnicity or other personal information?**

A 26) Information on race, ethnicity, and income are required.

**Q 27) Are there any requirements from DHCD regarding the business selection process in terms of who decides and how businesses are decided?**

A 27) Selection can be first come/first served, such as upon completed application, or you may have your own selection process based on local priorities and criteria. The selection process you use must be predetermined, followed, documented and transparent. Refer to Microenterprise training presentation under Program Design Considerations for more detail.

**Q 28) What are DHCD’s benchmarks for success?**

A 28) We will consider the program successful if the funds are used to assist a maximal number of microenterprises with overcoming economic losses incurred during the Covid-19 pandemic in the most effective, efficient and expedient means possible and with minimal complications and no compliance issues. DHCD will require weekly progress report tracking progress. Instructions forthcoming.

**Q 29) Which tax returns should be used?**

A 29) For income verification and documentation the most 2019 or 2018 personal tax returns may be used. It may be beneficial to use newer (quarterly) business tax returns, if available, to verify business losses.

**Q 30) What are the key dates to be aware of when spending the grant funds?**

A 30) *Incurred* costs may be considered for expenditures after March 10, 2020, the date of the Governor’s declaration of the Covid-19 emergency. Grant funds may be *committed* only after the date of your environmental clearance. *Drawdowns* may be submitted for individual grants after the date of execution of the Program Assistance Agreement. *Documentation* of expenses must be submitted by the business to the community as defined by the Program Assistance Agreement, which may range from up-front submittal to 30-45 days following disbursement of funds, as practical and feasible. *All funds grant funds must be expended* within the term of the grant agreement.

**Q 31) How can businesses use the grant funds?**

A 31) Grant funds may be used for working capital to cover business operating costs such as rent, staffing, utilities, etc., or technical assistance for the general support and stabilization of the business.

**Q 32) Are workers who receive 1099s considered employees?**

A 32) Understanding that contractors are not technically employees, many small businesses do utilize this arrangement for various reasons.  Microenterprises by definition are 5 or fewer employees including the owner(s). For the purposes of determining microenterprise eligibility, contract workers who receive 1099s are counted as employees.