

# THE NAVAJO NATION

JONATHAN NEZ | PRESIDENT MYRON LIZER | VICE PRESIDENT



## MEMORANDUM

To: Grant Applicants and Other Interested Parties

From: JT Willie, Division Director  
Division of Economic Development

Date: August 12, 2020

Subject: **Navajo Business Economic Relief Grant Overview and Eligibility**

**Purpose:** To assist small businesses facing financial hardship and/or business interruption due to the COVID-19 pandemic with financial assistance for necessary expenditures. This grant is designed to provide a direct incentive for small businesses to keep their employees on the payroll, provide for economic assistance with operating expenses and promote overall economic stability to those businesses facing the impacts of closure due to the COVID-19 pandemic.

Section 601(d) of the Social Security Act outlines that expenses associated with the provision of economic support in connection with the COVID-19 public health emergency would include expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures. The Navajo Nation has further reviewed the Frequently Asked Questions as of August 10, 2020 published by the United States Department of the Treasury (Treasury) which specifically addresses the ability of a state, local or tribal government to establish a program that provides economic support aimed at assisting small businesses with the costs of business interruption. The grant will be designed to provide reimbursement for such costs based on the eligibility requirements outlined below.

**General Eligibility Requirements:** The following general eligibility requirements apply to all businesses applying for financial assistance under this *Navajo Business Economic Relief Grant*.

- Business is facing a financial hardship due to the COVID-19 public health emergency
- Business is organized for profit and at least 51% owned by an enrolled member of the Navajo Nation
- Business was in operation prior to January 1, 2020
- Business has less than 300 employees as of March 1, 2020 (for the purpose of this requirement, each individual employee, regardless of typical number of hours worked, and each owner, is considered one employee)
- Business is registered or to be registered under the Navajo Nation Business Source List as published by the Navajo Business Regulatory Department (the most current version of this list can be found [here](#)) and applicants can begin the registration process online by [clicking here](#).

**Covered Period:** Necessary costs incurred between the period of March 1, 2020 and December 30, 2020 by an eligible applicant who has been experiencing financial hardship as a direct result of COVID-19 are covered under this policy.

**Amount Applicants Eligible For:** To be determined based upon eligible business interruption expenses and business characteristics. Maximum award amount is subject to availability and can range from up to \$10,000 to \$60,000 per business with demonstrated need. Individuals applying for grant funding greater than \$10,000 will be asked to provide additional verification documentation.

**Application Process:** Applicants must complete the *Navajo Business Economic Relief Grant - Application* and submit required documentation (i.e. documentation verifying the number of employees on payroll, most recent federal tax return, certificate of incorporation or other legal documentation displaying the address of the business, as listed in the application checklist provided in the *Navajo Business Economic Relief Grant - Application*) to Navajo Nation Division of Economic Development by October 30, 2020. Application and supporting documentation may be submitted online via the Navajo Nation Division of Economic Development Website or at an in-person application location. Additional information on application sites and hours of operation are available from the Navajo Nation Division of Economic Development. Please note that additional requests for documentation may be needed if information provided is not completed correctly or your business circumstances require additional verification. All applicants requesting a grant distribution greater than \$50,000 will be asked to provide additional information to comply with reporting requirements required by the United States Treasury.

**Applicant Requirements:** Applicants must certify that:

- The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments or other eligible expenditures as described below.
- The applicant meets all of the eligibility requirements noted above and agrees to comply with the terms and conditions outlined in this memorandum as well as in the *Navajo Business Economic Relief Grant - Application*.
- Applicant must retain documentation (e.g., invoices, payroll records, time-sheets, etc.) supporting qualifying expenditures incurred under this grant.
- By accepting the funds, applicant agrees to spend the funding on eligible expenditures - further examples provided below.

### **No Double-Dipping**

The amount requested cannot have been previously reimbursed by another Federal program, programs under the CARES Act (such as the Paycheck Protection Program or Economic Injury Disaster Loan) or any other Navajo assistance program. Any expenses found to have been reimbursed under another Federal or Navajo assistance program will have to be repaid to the Navajo Nation. Receiving a previous distribution from the aforementioned programs does not disqualify applicant from applying, it means that the applicant cannot include costs reimbursed under grant or forgivable loan programs in the amount of eligible costs claimed under the *Navajo Business Economic Relief Grant*.

## Eligible Expenditures

The Navajo Business Economic Relief Grant program is established to provide assistance to small businesses to cover the cost of business interruption due to the required closure of Navajo Nation businesses by the Navajo Nation government due to the COVID-19 outbreak. Eligible costs under this program include those costs that were incurred as a direct result of the COVID-19 pandemic or other such costs included below.

**Non-Exhaustive List of Eligible and Ineligible Expenditures:** The Navajo Nation Business Economic Relief Grant is a grant provided to eligible beneficiaries to cover the costs of business interruption due to COVID-19. The below represents a non-exhaustive list of eligible and ineligible expenditures under this program:

- Eligible expenditures include:
  - Payroll costs including salary, wages, and benefits paid over the covered period that were not reimbursed by another disaster relief grant or forgivable loan program (e.g., Paycheck Protection Loan program)
  - Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums that were not reimbursed by another disaster relief grant or forgivable loan program (e.g., Paycheck Protection Loan program)
  - Mortgage or business loan interest payments made during the covered period (but not mortgage prepayments or principal payments) for debt agreements that were entered into prior to March 1, 2020 for business properties or other business purposes
  - Rent or lease payments made during the covered period (no prepayments) for business properties for agreements entered into prior to March 1, 2020
  - Utility payments for business properties including electric, water, gas, phone, internet and similar utilities
  - New or expanded technology applications and Wi-Fi services to facilitate work-from-home efforts or social distancing for customers
  - Measures to protect, prevent and mitigate the spread of COVID-19 (including but not limited to)
    - Personal protective equipment,
    - Sanitation supplies and equipment,
    - Enhancements to promote social distancing and safety for customers or patrons,
    - Testing for employees, and
    - Deep cleaning of facilities
  - Marketing costs for resumption activities including physical and non-physical advertisement of reopening and reopening planning. Reopening marketing costs cannot include long-term marketing strategies and must be solely related to initial reopening and communication of such.
- Ineligible expenditures include:
  - Lobbying for any purpose
  - Repayment of principal of loans or debt (only the interest portions of regular debt payments are eligible)
  - Payment of partial mortgage/utility costs based on IRS rules for home-based businesses
  - Certain taxes and fees including those that are considered revenue for federal, state, or local governments

## Expenditure Request in Application

In the *Navajo Business Economic Relief Grant – Application* “Expenditure Request” section there is a requirement to subtract amounts reimbursed by Federal, State or Navajo programs. The programs being referenced include, but are not limited to, the Small Business Administration’s Paycheck Protection Program (PPP), the federal Employee Retention Tax Credit, and the Economic Injury Disaster Loan. To calculate this amount, for example, consider the following case:

- You previously were awarded a PPP loan of \$10,000
- You spent this \$10,000 on payroll costs
- Your loan has already been forgiven or is expected to be forgiven
- You calculated your business expenses from March 1, 2020 through December 30, 2020 for this program as \$50,000, including the payroll expenses reported to be covered by your PPP loan

Your expenditure request would be presented as follows:

Total Estimated Expenses	\$50,000
Less: Amounts reimbursed by other Federal, State or Navajo Programs (e.g., PPP)	<u>(\$10,000)</u>
<b>Total Amount Requested</b>	<b><u>\$40,000</u></b>

## Taxability of Proceeds

As specifically addressed in the [Treasury FAQ's](#), dated August 10, 2020 referencing the IRS guidance on the matter, the receipt of a government grant by a business generally is not excluded from the business's gross income under the Internal Revenue Code and therefore is taxable. However, a grant made by the government of a federally recognized Indian tribe to a member to expand an Indian-owned business on or near reservations is excluded from the member's gross income under the general welfare exclusion.