

DEFINITION OF ELIGIBLE EXPENSES

An eligible expense is an expense the business incurred due to COVID-19 that it would not have expected to incur during the regular course of business. An eligible expense must fall under one of the following categories:

- Equipment Expense
- Technology Expense
- Refinancing Expense
- Advertising Expense
- Accrued Fixed Expense
- Occupying expense, only when the business is in a disproportionately impacted industry.

A recipient who has received approval for a particular expense during the grant approval process must still certify funds were expended in one of the following allowable ways. Broad category approvals should not be interpreted as exceeding the scope of the explanations below. These lists are not intended to be exhaustive but rather illustrative of a range of examples. Final discretion on eligibility rests for the Division of Small Business.

Equipment Expenses

An item is eligible as an equipment expense if it was a physical good purchased in order to adapt the business to COVID-19, or in order for the business to comply with COVID-19 related safety regulations. Equipment expenditures made between 3/15/20 and 12/31/20 are eligible to be counted towards the grant, unlike other categories of expenditures. These include clearly:

- Purchase of personal protective equipment (PPE): face coverings for staff and/or customers, gloves, surgical or other similar gowns, and plastic face shields.
- Thermometers for staff and/or customers.
- Plexi-glass for the business or other physical barriers.
- Equipment that was purchased in order to expand business opportunities- for instance, a restaurant who purchased tables/chairs/other items in order to expand their outdoor dining capacity.
- Cleaning supplies.
- Air purification systems.
- Computer or other technology hardware purchased to accommodate staff shift to working from home- laptops, tablets, webcams, modified telephones/mobile phones.



99 Kings Highway, Dover, DE 19901
(302) 739 4271
business@state.de.us

- POS hardware necessary to facilitate contactless payments.

These also may include other expenses incurred as a result of COVID-19 that are not listed here. They do not include equipment purchases incurred in the regular course of business, such as:

- Purchase of a new vehicle.
- Fit out of a planned expansion.
- Inventory.

Technology Expenses

Technology expenses are software or service expenses incurred by the business in order to adjust their methodology of reaching customers or otherwise adapt their business model following the onset of COVID-19. The expense should be incurred between 4/1/20 and 12/31/20. This clearly includes:

- Enhancements to a website or the build out of a new website in order to reach customers, and/or increased monthly fees due to additional services.
- Enhancements to a mobile application or the build out of a new mobile application in order to reach customers and/or increased monthly fees due to additional services.
- Enhancements to enterprise software in order to add additional functionality as a result of COVID-19. This may mean a new POS interface, or for example a modification to a restaurant's management software for staff.
- Digital subscriptions for remote work services- Zoom, Microsoft Teams, or similar service costs.
- Consulting or other support costs associated with the implementation of technological enhancements or with the transition to work from home systems (excluding direct personnel).
- Consulting fees associated with enhancement of digital platforms (for example a consultant to facilitate an enhancement of presence or appearance on social media).

A hardware cost categorized as a technology cost by an applicant that would otherwise be eligible should be treated as an equipment expense, and all associated criteria for equipment expenses (including timeline of incurrence of expense) should be applied.



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Eligible technology expenses do not include:

- Ongoing server/domain host or similar subscription fees associated with a website or other platform that have not increased due to COVID-19.
- Enterprise software upgrade costs that were unrelated to COVID-19 adjustments.

Refinancing Expenses

A business incurs a refinancing expense if it pays off all or a portion of a loan expense incurred (or that it plans to incur) between 4/1/20 and 12/31/20. A loan is clearly eligible if it was taken out between these dates, it can be assumed the business did so in order to sustain cash flow during the pandemic.

This can be a privately issued loan by a legitimate financial institution, or a loan issued by the federal, state, or other government entity (unforgiven portion of a PPP loan, EIDL loan, HELP loan, or similar), but cannot be a loan issued by another private entity or person who is not otherwise a legitimate financial institution.

A draw on a line of credit is eligible only if the business can demonstrate that they would not have drawn on the line of credit, or would have drawn on it less, had the pandemic not effected their planned cash flow. This can be done through follow up with the business by DSB, in order for them to show past line of credit draw history. If other eligible expenses are itemized on the application they should be prioritized however.

Advertising Expenses

A business incurs an advertising expense when it does additional or new advertising due to COVID-19. This may be:

- Advertising done to show changes in business operations- hours, business practices, cleaning enhancements, etc.
- Increased costs due to switching to a new advertising channel.
- Consultant expenses associated with new advertising.

An eligible advertising expense does not include advertising the business typically does as part of its normal course of business.



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Accrued Fixed Expenses

An applicant has accrued a fixed expense if the person the expense was due to abated said expense for a period of time from 4/1/20 to 12/31/20 but required it to be paid in full at a later time or over a period of time, possibly with interest or similar carrying cost. This could be in the form of a modified lease agreement or similar.

An accrued fixed expense is not an expense that was merely forgiven or reduced, never to be owed by the applicant. The applicant must be able to pay off the owed balance in order for the expense to qualify for the grant.

Accrued fixed expenses do not include any expenses related to inventory or inventory payments.

Occupying Expenses (only for certain qualified applicants)

An applicant who is in a disproportionately impacted industry is eligible to count occupying expenses incurred or that will be incurred between 4/1/20 and 12/31/20 towards their grant award. These need not have been abated, and could have already been paid by the applicant (or could be due). An occupying expense clearly includes:

- Commercial rent/lease payments, even if they are due to an entity owned by or affiliated with the applicant.
- Commercial mortgage expense, including interest, unless the entity claiming the mortgage expense also had an affiliated entity claiming rent expense for the same occupancy.
- Utility expenses.
- Business insurance expenses (not including insurance expenses related to personnel).

Ineligible Expenses

The following broad expense categories are clearly ineligible uses of funds, though this list is also not intended to be exhaustive:

- Personnel expenses (direct wages, benefits, etc).
- Personal expenses of the business owner(s) or other associated individual(s).
- Payment of taxes or fines to government authorities
- Legal expenses.



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- Expenses associated with the sale of the business or acquisition of another business.
- Investments made by the business in financial assets.
- Research and development expenses.
- Minor and major capital improvements, unless they can be shown to have been forced upon the business as it attempted to respond to COVID-19.
- Purchase of gifts, or charitable donations.
- Payments made to an affiliated entity.