**Government funding and tax opportunities during COVID-19**

**Making sense of myriad options**

Navigating programs and benefits available to businesses impacted by COVID-19 is essential to emerging better and stronger from the crisis. Yet, the programs are numerous and causing confusion in the marketplace. While the $2.3 trillion CARES Act passed on March 25, the Federal Reserve had previously announced that it was creating a Main Street Lending Program before the CARES Act was enacted. Now there are multiple Federal Reserve and CARES Act programs in addition to other funding options. Moreover, the CARES Act prevents double dipping, leaving companies to decide whether to seek loans / loan forgiveness or certain tax benefits. The following is a quick reference guide to the various opportunities of interplays to assist you as you determine the best options for your business.

### Funding opportunities

<table>
<thead>
<tr>
<th>Funding program</th>
<th>Eligibility</th>
<th>Uses</th>
<th>Loan Amount/% Rate</th>
<th>Terms/restrictions</th>
<th>Forgiveness</th>
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<tbody>
<tr>
<td><strong>Main Street Lending Program</strong></td>
<td>Small to mid-sized companies: Up to 10,000 employees or less than $2.5 billion in 2019 annual revenues</td>
<td>“Exigent circumstances” as a result of COVID-19</td>
<td>• New loan: $1 million to an amount capped at the lesser of either $25 million or bank debt* equaling 4x 2019 EBITDA</td>
<td>• 4 years, with no payments for 1 year</td>
<td>N/A</td>
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<td></td>
<td>Can apply if also applying for Payroll Protection Program</td>
<td></td>
<td>• Expanded loan: $1 million to $150 million that expands an existing loan with a cap at 30% of bank debt* or bank debt* equaling 6x 2019 EBITDA</td>
<td>• Must “make reasonable efforts to maintain payroll and retain workers” for life of loan</td>
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<td>• Rates: SOFR plus 2.5% to 4%</td>
<td>• Can’t apply for new loan if existing loan expanded or if participating in the Primary Market Corporate Credit Facility</td>
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<td></td>
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<td></td>
<td>• Limits on employee and executive total compensation for salaries above $425,000, including severance pay or “golden parachutes” for loan life + 1 year</td>
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*Debt includes existing outstanding and committed but undrawn debt as well as new Main Street loan amounts, if applicable.
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| **Middle Market Loan Facility** | Mid-sized companies & non-profits: 500-10,000 employees | Retaining workforce | No more than 2% interest rate | - No payments for 6 months  
- Must retain 90% of workforce at full wages / benefits through 9/30/2020  
- No buybacks or dividend payments through loan life  
- No outsourcing / job offshoring for the loan life plus two years  
- No abrogating collective bargaining for the term of the loan + two years | N/A |
| **Implementation is still pending** | | | | | |
| **Exchange Stabilization Fund** | Sectors broadly defined as being severely distressed are available for direct loans. Passenger (S2SB) and cargo air carriers (S9B), and businesses critical to national security (S17B) are expressly eligible for loans | Industry specific, to be negotiated | | Loan for impacted industries should be short as possible, not exceeding 5 years and will be publicly disclosed  
For public companies, government takes an equity interest in the business  
For private companies, government takes an equity interest or senior debt interest as collateral  
Borrowers must, until 9/30/2020, maintain employment levels as of 3/24/2020, “to the extent practicable,” and at minimum, employment can’t decrease more than 10% from the level on 3/24/2020  
Workforce levels must be restored within 4 months of the end of the health crisis  
Limits exist on employee and executive total compensation for salaries above $425,000, including severance pay or “golden parachutes” until one year after the loan is no longer outstanding  
Corporate stock buybacks and dividends prohibited (unless contractually obligated) for loan life + 1 year  
Loans shall be treated as indebtedness for tax purposes | N/A |
| **Term asset-backed securities loan facility (TALF)** | U.S. companies that own eligible asset-backed securities and have a relationship with a primary dealer | Variety of pricing based on attributes of collateralized loan obligations and other ABS attributes | Three year loan maturity  
Non-recourse to borrow as long as TALF requirements are met  
Can pre-pay in whole or part, but cannot substitute collateral during loan term  
Must comply with CARES Act section 4019 on conflicts of interest  
More detailed terms and conditions will be based on 2008 TALF | N/A |

The CARES Act indicates that the Treasury Secretary will “endeavor to seek the implementation” of a Middle Market loan facility. Implementation is still pending. The CARES Act provides $500 billion to provide loans, loan guarantees and other investments for big businesses, states, and municipalities impacted by the pandemic. The majority of this money ($454 billion) will be used as a backstop for Federal Reserve lending and not available directly from the Department of Treasury. The TALF offers up to $100 billion in liquidity for investment-grade collateral that includes auto loans, student loans, small business loans and more. The Federal Reserve has expanded the eligible collateral to include limited quantities of riskier securities.
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| **Primary Market Corporate Credit Facility** | U.S. based businesses rated at BBB-/Baa3 (as of 3/22/2020) by a major NRSRO (or by 2, if multiple ratings) Cannot be a Dodd-Frank Act defined depository institution or have received other CARES Act support | Sell corporate bonds and syndicated loans | • The maximum outstanding bonds or loans capped at 130% of the issuer’s maximum outstanding bonds and loans outstanding on any day, 3/22/2019 - 3/22/2020 | • Bonds and syndicated loans must have maturity of ≤ 4 years and have been issued by an eligible issuer  
• Refinancing of outstanding debt to take place three months ahead of maturity date  
• Additional debt can be considered at any time if rating reaffirmed.  
• Must comply with CARES Act section 4019 on conflicts of interest  
• Purchasing ends no later than September 30, 2020, unless extended  
• Facility will be funded until holdings mature or are sold | N/A                                                   |
| **Secondary Market Corporate Credit Facility** | Same as above PMCCF criteria                      | Sell secondary market eligible individual corporate bonds and eligible corporate bond ETFs | • Maximum purchase/issuer = 1.5% of combined size Facility/PMCCF  
• Maximum bond purchase/issuer = 10% of issuer’s max bonds outstanding on any day, 3/22/2019 - 3/22/2020  
• Any ETF purchased cannot equate to Facility holding 20%+ of the ETF’s shares | • For ETFs, trade prices must not exceed the estimated net asset value of the underlying portfolio  
• Must comply with CARES Act section 4019 on conflicts of interest  
• Purchasing ends no later than September 30, 2020, unless extended  
• Facility will be funded until holdings mature or are sold | N/A                                                   |

**ADDITIONAL EXPORT IMPORT (EXIM) BANK PROGRAMS**

EXIM has introduced two new options that can be structured as guaranteed or direct loans (subject to standard due diligence and credit analysis):

- A one-year, short-term loan or loan guarantee through the Temporary Bridge Financing Program.
- One year of financing through the Temporary Progress Delivery Payment Financing program if buyers are not receiving long-term financing through EXIM (typically this funding has been for large capital goods but is now extended to manufacturing sectors whose international buyers have not participated in pre-export payment).

EXIM has also extended the guarantee level, relaxed criteria for the Supply Chain Finance Guarantees and expanded eligibility for all inventory that could be exported, as well as increasing the guarantee level for the Working Capital Guarantee Expansion.
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| **Payroll Protection Program**          | **Small Business Administration size standards apply, generally up to 500 employees, with isolated exceptions by industry**, 501(c)3 non-profits, 501(c)(19) veterans organizations and others | • Rent  
• Payroll  
• Mortgage interest  
• Utilities | • 2.5 X business’s average monthly payroll (capped at $100,000 salary per employee)  
• Max $2 million  
• Amounts not forgiven subject to a 1% loan with a 2 year maturity date | • SBA’s “no credit elsewhere” standard test is waived  
• No personal guarantee / collateral required  
• No payments for six months  
• Cannot claim the employee retention credit if obtaining a loan and must cease deferring payroll taxes when loan is forgiven | As long as funds are used for eligible purposes, up to 100% (only 25% can be used on non-payroll allowable costs) |
| **SBA 7(a) Debt Relief**                | **Small Business Administration size standards apply, but program is not available to non-profits** | • Existing 7(a) terms apply | • Existing 7(a) terms apply | • Existing 7(a) terms apply | While loan isn’t forgiven, 6 months of payments are paid by SBA |
| **SBA Economic Injury Disaster Loan**   | **Small Business Administration size standards apply**  
Available for businesses, ESOPs, cooperatives under 500 employees  
Program available to all non-profits | Expenses that could have been met if the pandemic had not occurred and for forgiveness:  
• Paid leave  
• Maintaining payroll  
• Increased costs due to supply chain disruption, mortgage or lease payments, or repaying obligations that can’t be met due to revenue losses  
Up to $2 million  
3.75% fixed rate  
(2.75% for non-profits) | • Up to 30 years  
• Loans can be made based solely on credit scores and loans below $200,000 can be approved without a personal guarantee. No credit elsewhere requirement waived  
• Cash advance of $10,000 to be provided to applicants within three days of application  
• EIDL loans cannot be used for the same purpose as any amounts provided to a borrower under the Paycheck Protection Program | Payments on loans are deferred for one year  
$10,000 cash advance forgiven if used for purposes |

*The SBA has waived its affiliation standards for small businesses in the hotel and food services industry (NAICS 72) code, franchises in the SBA Franchise Directory and entities that receive financial assistance from small business investment companies licensed by the SBA.*
## Tax relief opportunities available through the CARES Act

<table>
<thead>
<tr>
<th>Business Tax Relief</th>
<th>Description</th>
<th>Conditions relating to CARES Act funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payroll Tax Deferral</strong></td>
<td>Employer portion of payroll taxes through the end of 2020 can be deferred with 50% due by Dec. 31, 2021 and the remainder due Dec. 31, 2022.</td>
<td>Taxpayers that have SBA interruption or Treasury Paycheck Protection Program loans forgiven are not eligible for this deferral.</td>
</tr>
<tr>
<td><strong>Employee Retention Credit</strong></td>
<td>Employers may receive a payroll tax credit for 50% of eligible wages (up to $10,000 per employee) paid to employees while the business is suspended or partially suspended by government orders or if gross receipts decline by more than 50% when compared to same quarter in prior year. Employers with more than 100 employees only receive the credit for paying wage for which the employee doesn’t provide services.</td>
<td>Employers that receive the SBA interruption loans are not eligible for the retention credit.</td>
</tr>
<tr>
<td><strong>Net Operating Loss (NOL) Carryback</strong></td>
<td>NOLs arising in 2018, 2019 and 2020 are eligible to be carried back for five years. These NOLs can be used to offset income that was taxed at higher tax rates in place prior to the Tax Cuts and Jobs Act (TCJA).</td>
<td>None</td>
</tr>
<tr>
<td><strong>Excess business loss limits</strong></td>
<td>Suspends the excess business loss limitation retroactively from 2018 through 2020 to allow pass-through business owners to obtain refunds for previous loss limits and to allow them to fully use the NOL carryback provisions for their business losses.</td>
<td>None</td>
</tr>
<tr>
<td><strong>Interest Limitation</strong></td>
<td>Allows businesses to deduct net interest expense of up to 50% of adjusted taxable income instead of 30% for 2019 and 2020. Also allows taxpayers to elect to use 2019 income for the 2020 calculation. Special rules for partnerships require careful consideration.</td>
<td>None</td>
</tr>
<tr>
<td><strong>AMT Credit</strong></td>
<td>Allows corporations to quickly recover any remaining unused alternative minimum tax (AMT) credits. The corporate AMT was repealed as part of the Tax Cuts and Jobs Act (TCJA), but corporate AMT credits were not fully recoverable until 2021. This provision allows corporations to claim unused credits on a 2018 amended return, 2019 return, or with a tentative refund claim.</td>
<td>None</td>
</tr>
<tr>
<td><strong>Expensing qualified improvements</strong></td>
<td>Enables businesses, especially those in the retail and hospitality industries, to immediately expense the cost of improving leased or own facilities instead of depreciating these improvements over the 39-year life of the building. This change is retroactive to the date of enactment of the TCJA and will allow for refunds through an accounting method change or amended return.</td>
<td>None</td>
</tr>
<tr>
<td><strong>Charitable contribution enhancements</strong></td>
<td>Increases the income limits on deductions for certain charitable contributions by corporations, other businesses and individuals.</td>
<td>None</td>
</tr>
<tr>
<td><strong>Pension &amp; employee benefits</strong></td>
<td>The Department of Labor is permitted to delay employee benefit-related deadlines. Any required minimum single-employer defined pension contributions due in 2020 are delayed until January 1, 2021 (plus interest). A plan sponsor is allowed to use the adjusted funding target attainment percentage for the last plan year ending before January 1, 2020 for plan years including calendar year 2020.</td>
<td>None</td>
</tr>
</tbody>
</table>

### Loan forgiveness under the CARES Act
Paycheck Protection Program is not considered income.
Other tax savings ideas for liquidity
Companies can also increase tax savings through:

- Deferring revenue or accelerating expenses through accounting method changes
- Different annualization methods for computing estimated taxes to reduce 2020 Q1 estimated tax payments
- Form 4466 (quick refund of overpayment of estimated tax)
- Reducing expenses, e.g., write down partially worthless bad debts, treat charitable contributions of inventory as COGS, capitalize interest under Section 163(j)
- Evaluating worthless / abandonment losses and debt restructuring to generate deductions
- Assessing all global tax attributes (i.e. deferred tax assets) for monetization strategies
- Exploring changes to compensation and benefit plans (health, retirement, deferred compensation plans)
- Examining state and local tax areas for deferrals, overpayments and opportunities for savings (sales & use, VAT, income & franchise, real property, unclaimed property)

At the ready to help you
As you work to quickly stabilize your business during these unprecedented times, our professionals can help you formulate the best funding and tax approaches for your business based on the nuances and tradeoffs. We can provide additional insights, on-call technical support as well specific assistance related to funding application and compliance readiness. Our team will help you navigate tax planning and compliance, including feasibility, credit computation and opportunity analysis as well as implementation services for the employee retention credit.

Living our values of collaboration, leadership, excellence, agility, respect and responsibility, you can count on us to:

- Bring a calm and deliberate approach to discussing key considerations.
- Respond at the speed of your need, bringing care and building trust in everything we do.
- Work with you to create actionable plans that make sense.

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