



Economic Stimulus Provisions Relevant to OFS Sector

On Friday March 26, the House of Representatives is expected to pass the CARES Act, which is a \$2.2 trillion COVID economic stabilization package. The President is expected to sign the legislation soon thereafter. The bill includes two programs which may be of interest to PESA companies:

- Stabilization loans for businesses under 500 employees administered through the SBA
- Loans for larger companies through the Treasury Exchange Stabilization Fund

PESA will continue to provide details on these processes going forward, ensuring eligible PESA companies may participate.

Economic Provisions Available to All Americans

- Onetime payment of \$1,200 to Americans making less than \$75,000 per year or \$2,400 per couple making less than \$150,000 total

Loan Provisions: Small Business Administration (SBA) and U.S. Department of the Treasury

For companies with less than 500 employees, short-term emergency SBA loans are available.

- Short term economic stabilization loans of up to \$10 million dollars will be processed through SBA
- Applicants must assert that:
 1. Loan is necessary due to economic hardship brought on by COVID-19
 2. Must maintain employees at date of loan
 3. Loans may be forgiven if employees retained throughout crisis. If employees reduced or have pay cut this amount will come out of any potential forgiveness.

Companies Larger Than 500 Employees May Be Eligible for Treasury Exchange Stabilization Fund

- Fund contains \$500 billion at the outset (Could grow through later appropriations depending on length of crisis)
- \$25 billion is carved out for airlines, \$4 billion for Air Cargo, \$17 billion for national security related firms, and \$454 billion for everybody else
- In order to be eligible, Loans must meet these requirements:
 1. Alternate financing not available
 2. Loan must be secured
 3. Short term loan (no more than 5 years)
 4. There can be no stock buybacks or dividends during loan period



5. Must maintain employment levels at company at 90% of March 24, 2020 levels until September 30, 2020
6. Must be a U.S. Domiciled corporation and have employees located predominantly within the U.S.
7. Loan cannot be forgiven

Additional details on loan program

- Companies participating must certify no offshoring of jobs for two years
- Companywide pay freeze of anybody making more than \$425,000 per year
- Nobody can make more than \$3 million at company, if somebody was, they must lower salary to \$3 million plus half of last year's salary for 2020.
- The loans will be distributed by the Treasury Department and overseen by an Inspector General as well as a Congressional Oversight Board.

Tax Provisions

- Employers may delay payment of payroll taxes, payroll tax deferral period extends to January 1, 2021
- Employers are eligible for a 50% refundable payroll tax credit on wages paid up to \$10,000 during the crisis. The credit would be available to employers whose businesses were disrupted due to virus shutdowns and those that had a decrease in gross receipts of 50 percent or more when compared to the same quarter last year. The credit can be claimed for employees who are retained but not currently working due to the crisis for firms with more than 100 employees, and for all employee wages for firms with 100 or fewer employees.
- Firms may take net operating losses (NOLs) earned in 2018, 2019, or 2020 and carry back those losses five years. The NOL limit of 80 percent of taxable income is also suspended, so firms may use NOLs they have to fully offset their taxable income. The bill also modifies loss limitations for non-corporate taxpayers, including rules governing excess farm losses, and makes a technical correction to the treatment of NOLs for the 2017 and 2018 tax years.
- The net interest deduction limitation, which currently limits businesses' ability to deduct interest paid on their tax returns to 30 percent of earnings before interest, tax, depreciation, and amortization (EBITDA), has been expanded to 50 percent of EBITDA for 2019 and 2020. This will help businesses increase liquidity if they have debt or must take on more debt during the crisis.

*House plans to vote by voice Friday, March 27 morning

*Senate will adjourn until April 20