



Coronavirus Aid, Relief and Economic Security Act or the “CARES Act”

The CARES Act was signed into law March 27, 2020 to address economic impacts of the COVID-19 (coronavirus) outbreak.

ServiceTitan doesn't give legal advice, but we want our customers to be aware of these developments and to help them access all available resources. This is a plain language summary of a complicated new law, and we only include the parts that we think are relevant to our customers. Consult your attorney if you have specific questions.

Paycheck Protection Program Forgivable Loans

The CARES Act appropriated \$349B and created an unlimited program for forgivable, emergency “Paycheck Protection Program” loans to distressed businesses for working capital. The loans are intended to be broadly available and calculated to cover up to 2.5 months of payroll, rent/mortgage, utilities and other existing debt obligations up to a maximum of \$10,000,000. The bill expands availability past traditional SBA limits to any business with 500 or fewer employees.

Importantly, the bill waives the traditional affiliation rules that would prevent commonly owned or controlled business from applying separately and it does away with the requirement that borrowers show they could not receive credit elsewhere. Program loans are to be nonrecourse and no personal guarantees are required.

Loans are to be processed through approved lenders as general loans for working capital, but fees and prepayment penalties are generally waived and the loans are forgivable in the amount of payroll, mortgage interest, rent and utilities from February 15, 2020 through June 30, 2020. Payroll costs include the costs for new paid sick leave and family leave [described in our other alert](#), providing more complete and faster relief than tax credits, and repayment of all amounts will be deferred for at least 6 months and, in some loans up to one year.

Loan forgiveness is reduced proportionally for full time employees that are terminated or whose payroll is reduced more than 25%, tying the incentive directly to continued employment at near-pre-crisis levels of compensation. Rehiring of staff during the covered period can ‘cure’ a pre-existing reduction in force and enable the business to get the full forgiveness incentive.



Note that loan forgiveness is not taxable for federal income tax purposes. We expect most states will follow suit.

The [application forms](#) and [information sheets](#) from the Treasury are now available online. Banks we've talked to suggest that their terms and online application portals are rolling out on a similar timetable, so, while it may be a few days before banks are ready to accept applications (and they will have their own additional requirements), there is no reason to delay in getting your application together.

Separately, the maximum size of loans under the SBA's "Express Loan Program" has been increased to \$1,000,000, though we expect the general loan program to be more meaningful to ServiceTitan customers.

Note that these new working capital loans are available in addition to the [Economic Injury Disaster Loans](#) that are already authorized and available, but the working capital loans are limited to the extent they would cover the same losses. It's not clear how this will be applied in the underwriting process, but expect that any amounts actually received as Economic Injury Disaster Loans will be a limit on amounts available under this program.

We will provide more information and relevant links as the application process is rolled out and goes live, but expect updates first at [SBA.gov](https://www.sba.gov).

[See our FAQs on economic injury disaster loans](#) on what businesses qualify, how to apply for loans, as well as ServiceTitan reports that can help assemble the needed information.

Grants

The bill appropriates \$265m to [Small Business Development Centers](#) and [Women's Business Centers](#) to provide education, training and advise on COVID-19 related matters, including the setup of telework infrastructure and the management and practice of remote customer service. It also appropriates funds for the and the [Minority Business Development Agency](#). Check online for resources local to you.

Paid Leave

With respect to private employers, the Act clarifies the new paid sick and family paid leave provision put in place earlier in March as well as providing for the forgiveness of amount paid with covered loans.

Taxes



The Act gives an employer payroll tax credit for qualified wages (though not double coverage for those covered by an SBA loan), delays due dates for employer payroll taxes and estimated tax payments for corporations, with only 50% of such amounts being payable by December 31, 2021. Net Operating Loss rules are amended to provide for a larger and faster deduction and the business interest deduction has been increased. Consult your payroll provider and tax advisor to make sure you are taking advantage of these significant changes.