

RELIEF FOR LARGE BUSINESSES: Economic Stabilization Loans/Troubled Debt/Transportation Industry

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by Holland & Hart Income Tax Team

Large to medium sized businesses that do not qualify for SBA or EIDL loans may qualify for Economic Stabilization and Assistance Loans or loan guarantees, subject to certain terms and restrictions. Large businesses also may also be eligible for debt restructuring through their bank.

Economic Stabilization and Assistance Loans

Title IV of the CARES Act authorizes \$500 billion in liquidity loans for eligible businesses who have not otherwise received funding under the Act, with specific funding allocated for air carriers. Recipients of liquidity loans are required to maintain employment levels as of March 24, 2020 until September 30, 2020 “to the extent practicable,” cannot engage in stock buybacks or pay dividends during the pendency of the loan, and are subject to compensation limitations, among other things. In contrast to the payroll support loans, loan forgiveness is not available for liquidity loans under Title IV.

Troubled Debt Restructurings

Allows banks to renegotiate loan terms with coronavirus impacted borrowers (companies and individuals) without having to hold extra capital as long as the new terms are needed as a result of coronavirus impacts.

Transportation

The Act includes funding and financing for airlines and aviation businesses as well as grants for airports, public transit and Amtrak. The bill specifically authorizes \$25 billion in loans and loan guarantees for passenger airlines, repair stations and ticket agents and \$4 billion to cargo airlines. The bill also provides \$32 billion in grants to pay wages, salaries and benefits of employees with \$25 billion available for passenger airlines, \$4 billion for cargo airlines and \$3 billion for airline contractors. Grants are based on the wages, salaries and benefits that employees received from April 1 to September 30, 2019. A recipient also must agree to certain restrictions on compensation and must agree that before September 30, 2020, they will not conduct furloughs, reduce pay rates, buy back stock or pay dividends. The carriers are also required to continue service to any point served

before March 1, 2020 to the extent practicable.

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