



March 29, 2020

The Honorable David Kautter  
Assistant Secretary  
Office of Tax Policy  
U.S. Department of Treasury  
1500 Pennsylvania Avenue N.W.  
Washington, D.C. 20220

The Honorable Michael Desmond  
Chief Counsel  
Internal Revenue Service  
1111 Constitution Avenue NW  
Washington, D.C. 20416

Dear Sirs:

On behalf of our nation's venture capital investors and the 2.27 million workers who are tirelessly building the next-generation of American companies, I write to request that you provide a limited grace period for companies to repay tax benefits under the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, should they subsequently become eligible for different elements of the small business loan facility in the Keeping Workers Paid and Employed Act section. This grace period will provide certainty and allow startups with limited resources to keep cash on hand through the time that uncertain eligibility questions in the loan program are determined.

Startups are often in a loss position or pre-revenue while they focus on research, product commercialization and growth. These companies are some of the most vulnerable in an economic downturn, and therefore most likely to undergo widespread furloughs and layoffs to survive. A startup's available cash on hand and the pace with which it is deployed determine the length of time that the company can survive, absent raising additional capital. As you know, raising capital for high-risk growth companies can become very difficult in an economic crisis.

Section 2301 of the CARES Act provides an employee retention credit for wages paid by employers that are subject to complete or partial closure due to the COVID-19 pandemic or that incur significant decreases in gross receipts, and Section 2302 allows for a delay in the payment of an employer's 2020 payroll taxes. Both of these provisions are intended to shore up balance sheets and encourage retention of workers through the economic crisis created by the COVID-19

pandemic. Companies who receive a loan from the paycheck protection program under Section 1102 of the CARES Act will no longer be eligible for the employee retention credit. Companies who have indebtedness of those loans forgiven under Section 1106 of the CARES Act will no longer be eligible for payroll tax deferral.

Because the tax provisions of the CARES Act are likely to deliver swift relief to startups, many would benefit from taking advantage of these programs while undergoing the process of determining loan eligibility and qualification for forgiveness, which will be at least eight weeks after receipt of the loan. We request that final regulations implementing Sections 2301 and 2302 provide 60-day grace periods, with no interest or penalties charged, to companies who take advantage of these provisions and are subsequently rendered ineligible by their participation in the loan program.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Bobby Franklin". The signature is written in a cursive, slightly slanted style.

Bobby Franklin  
President and CEO