

Business Revival Toolbox – Focus on Home Service Industries

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Providers of home services are some of the hardest hit by the COVID-19 pandemic. These companies provide a variety of services, from lawn services and landscaping, to appliance repair, home improvement, plumbers, electricians, and heating and air. Most of these services begin with in-home visits for consultations on the services to be provided. This means that restrictions in many localities, whether social distancing or shelter-in-place, constrain them from performing services that require in-person interactions. These constraints are placing significant burdens on their ability to conduct business. Additionally, home service providers must address the safety of their workers and technicians that are entering homes and interacting with the public. Although some in the industry have elected to shut down entirely until the pandemic eases, many have decided to continue operation. For those in this industry that have elected to continue operations and those preparing to re-open, a number of considerations and tools should be evaluated and utilized. These tools, which are part of the “Business Revival Toolbox,” are key items to evaluate and implement for those providing home services.

Be Safe and Be Smart. Ensuring the safety of workers, technicians and customers must be on the forefront of every decision made when re-opening. Evaluate the process of providing the services that are delivered, step by step, and determine each point where interaction occurs between a worker or technician and a customer. For each point of interaction, evaluate the measures that can be taken to maximize the safety of workers and technicians and the customer. This process should begin at the call center. Call centers should have screening questions to determine if anyone in the household is or has been ill. If no illness has been reported, an appointment can be scheduled immediately. If an illness is reported, consider scheduling appointments no less than 30 days out. When confirming the appointment, similar screening questions should be asked to make sure the situation at the household is safe. Call centers should also consider monitoring zip codes where cases are highly concentrated and schedule appointments in those areas only when the number of cases is normalized.

Any interactions between employees and customers should be done in the safest possible manner. Whether it is the initial consultation or the performance of the services, a technician and customer should socially distance. If at all possible, workers and technicians may need to utilize protective equipment, such as masks and gloves, when interacting with customers or at any time they are in a household performing services. Consider requesting that the customer also wear a mask when interacting with the technician. Emphasis should be placed on sanitizing all areas of contact and all products and parts to minimize the risk of transmission. All new protocols should be documented and clearly communicated to workers and technicians.

Communications with the public will also be important. Communicate with the public about the health and safety protocols that will be followed to ensure their safety and the safety of the workers and technicians. Communicating this in advance establishes a high degree of professionalism and can help put customers at ease when having a technician in their home performing services.

It may be prudent to consider a waiver as part of the standard service contract. Any waiver must be finely tuned for its specific purpose and will not provide protection for certain inappropriate activities. Good judgement following health and safety protocols will still be necessary even when waivers are contained in a service contract. If you have any questions regarding how to draft a waiver specific to your business, you can consult with Vandenack Weaver attorneys by calling 402-504-1300 or reach out [here](#).

Maximize PPP Forgiveness. Many in the home service industries were able to obtain a forgivable loan under the Paycheck Protection Program (“PPP”). Since many of these businesses have received these proceeds and started to use them, steps should be taken to ensure that as much of these funds are forgiven as possible. Any funds forgiven will be transformed from debt to equity. As an example, as home service businesses slowly start to re-open, business owners are starting to bring back their employees. With these employees coming back, targeting PPP funds to cover payroll and calculating the most efficient time to bring back employees will create the most efficient use of forgiveness.

On June 3, Congress passed the [Paycheck Protection Program Flexibility Act of 2020](#) (“Flexibility Act”) that extends the time period for businesses to spend PPP loan funds and makes certain other changes favorable to borrowers.

- The original eight-week timeframe is extended to 24 weeks for borrowers who need more time to make full use of the funds;
- The requirement that 75 percent of the forgiveness amount be spent on payroll is relaxed to 60 percent;
- Restoration of workforce and compensation to pre-pandemic levels can now extend to December 31 without penalty;
- Two new “safe harbors” are added: borrowers will not be penalized if they could not find qualified employees or if they were unable to restore business operations to pre-pandemic levels due to COVID-related operating restrictions;
- Borrowers will have five years to repay any non-forgiven amounts rather than two;
- Businesses receiving PPP forgiveness will also be permitted to defer payroll tax into 2021 and 2022, which had been previously limited.

Because the Flexibility Act lengthens the timeline of availability for PPP loans, and provides more flexibility for loan forgiveness, your business should consider applying for a PPP loan.

Tax Opportunities. The United States Congress reacted to the pandemic by passing historic legislation, resulting in extended tax deadlines, which means home service businesses have been able to defer many important tax decisions. Similarly, the legislation added some incentives, tax credits, and tax opportunities for this industry to revive itself. This means that, once the home service industry becomes more stable, it will be critical to the long-term financial future to re-evaluate past tax decisions in light of the opportunities now available. In addition, state and local property tax and other taxes based on valuation are subject to reduction or challenge by business owners in light of the crisis.

Additionally, payroll tax deferral is now available through the end of the year for PPP borrowers with forgiven PPP debt. The Flexibility Act removed the provision in the CARES Act that required borrowers who received forgiveness of debt to cease the deferral of payment of employer payroll tax. Now, all employers can defer the payment of such taxes for wages paid after March 27, 2020 and before January 1, 2021 and pay half of the deferred balance by December 31, 2021 and the other half by December 31, 2022.

Reorganize, Restructure, Renegotiate. The home service industry, like many other industries, has had unprecedented upheaval, which means that current organizational structures may not be appropriate. Moreover, many vendors, suppliers, and third-parties in the industry have undergone substantial change. Taken together, a home service provider needs to evaluate its overall business operation to determine whether the current structure ensures a steady supply of customers and necessary raw materials, preserves assets, limits liability, and enables a streamlined and efficient operation. Simply re-opening without a thorough review of operations may not be enough to fully revive the business or, in worst case scenario, survive.

Tap Unexpected Sources of Capital. The legislative response to the pandemic – together with pre-existing programs that may not have been explored previously – provide all businesses with options for revival capital. Non-PPP loans through the Small Business Administration will offer six months of deferred interest and principal in the wake of the pandemic. Creditworthy enterprises may be eligible for favorable credit terms through the Federal Reserve's Main Street Loan program.

Employees will have a limited option to tap into 401(k) and IRA accounts via loans and/or distributions without penalty.

Draw Upon Your Community. Anticipate that local leadership – public officials, chambers of commerce, economic development officers and community-based nonprofits – will be offering heightened opportunities for support and public-private partnership. For example, the Nebraska Chamber of Commerce & Industry has recently posted three new grants that small businesses in the state can apply for [here](#). Programs could include economic development incentives, support services, mentoring, investment options or other programs. Many in the home service industries will need the support of the community, whether to ensure that services are safely provided or for the overall sustainment of the business.