

Coronavirus Aid, Relief and Economic Security (CARES) Act — Federal COVID-19 Relief Package

In response to the COVID-19 pandemic, the federal government enacted a sweeping economic relief package – the Coronavirus Aid, Relief and Economic Security Act (CARES) Act. This \$2 trillion stimulus plan is designed to provide some economic stability during the uncertainty of the COVID-19 pandemic by providing funds to help businesses stay open and pay their employees; reduce the potential for future layoffs and ensure the continuity of employment for workers across the United States.

Some of the highlights of the CARES Act include:

Small Business “Paycheck Protection Program”

This new \$349 billion lending program provides loans that are 100 percent guaranteed by the U.S. government for small businesses. The loans must be used to retain workers, maintain payroll, make mortgage or lease payments or pay utilities. The borrower will have a portion of their loan forgiven in the amount equal to payroll costs (not including costs for compensation above \$100,000 annually), interest payments on mortgages, rent payments and utility payments between Feb. 15 and June 30, 2020. Loan forgiveness will be reduced if the borrower reduces employment by a ratio similar to their reduction in employment or if borrower reduces salaries and wages by more than 25 percent. Those interested in applying can do so at any lending institution that is approved to participate in the program through the existing U.S. Small Business Administration lending program and any additional lenders approved by the U.S. Department of Treasury. To find SBA-approved lenders, click [here](#). The [local Small Business Development Centers](#) can provide additional assistance.

Loan Program and Credit Facility

- \$500 billion for loans and loan subsidies and support for Federal Reserve credit facilities.
- **Eligibility:** Air carriers and other businesses not otherwise receiving adequate relief under other provisions of the bill.
- **Restrictions Under Federal Reserve:** Loans through the Federal Reserve generally (though with possible exceptions) prevent the borrower from repurchasing stock and dividend payments while the loan is outstanding plus an additional year. The Treasury Secretary would be permitted to waive this requirement if it determines such waiver is necessary to protect the interests of the federal government, although he would be required to testify before Senate Banking and House Financial Services regarding the reasons for the waiver.
- Federal Reserve authorized to create a Main Street Lending Facility for small and mid-size businesses using 13-3 powers (with none of the requirements described above).
- Permits the Exchange Stabilization Fund to be used to guarantee money market mutual funds.

Business Tax Provisions

- Employee retention credit for employers subject to closure due to COVID-19 (permits fully refundable 50 percent tax credit applicable to the employer’s share of payroll 5 taxes on wages up to \$10,000 per employee; widely available with special rules for small employers).
- Delay of payment of employer payroll taxes (defer payment of the employer share of the Social Security tax due between now and January 1, 2021 to December 31, 2021 (50 percent due) and December 31, 2020 (remaining due)).
- Modifications for net operating losses (for 2018, 2019, 2020, loss can be carried back 5 years, temporarily suspends 80 percent limitation; extends to pass-throughs, sole proprietors).
- Accelerates ability of companies to recover AMT credits.
- Modification of limitation on business interest (for 2019, 2020, increases 30 percent limitation to 50 percent).
- Temporary exception from excise tax for alcohol used to produce hand sanitizer (for 2020).

Payments and Relief for Individuals

- Direct payments to taxpayers equal to \$1,200 per individual (\$2,400 joint return) plus \$500 per child.
- Phased out for incomes above \$75,000 (\$150,000 joint).
- Penalty-free COVID-19-related distributions up to \$100,000 and loan amount increases and modifications to individuals from tax-favored retirement plans.
- Waiver of required minimum distributions from retirement plans and IRAs for 2020.
- Tax exclusion for people who are receiving student loan repayment from their employer.

Increase in Unemployment Benefits

- **Eligibility expansion:** Creates a temporary Pandemic Unemployment Assistance program to qualify individuals not traditionally eligible for UC, such as self-employed and independent contractors, who are unable to work as a direct result of the emergency.
- **Federal funding for claimants:** Additional 13 weeks of UC for those who remain unemployed after regular UC expires and additional \$600 per week payment to UC recipients for up to four months.
- **Federal funding for states:** Funding to partially reimburse nonprofits and government agencies; full federal funding for the first week of benefits for states that waive the traditional one-week waiting period; and temporary, limited flexibility for states to hire temporary staff, rehire former staff, or take other steps to quickly process unemployment claims.
- **Short-time compensation programs:** Federal funding to incentivize and support state “short-time compensation” programs in which employers reduce employee hours instead of laying off workers and the employees with reduced hours receive a pro-rated unemployment benefit.
- **Expiration:** These emergency UC measures expire 12/31/2020.

State and Local Aid

- Provides \$150 billion to states and local government based on each state’s population for the purpose of funding unforeseen expenses related to COVID-19.

A complete overview of the legislation by the U.S. Chamber can be found [here](#).