

S. 3458/H.R. 748 Coronavirus Aid, Relief and Economic Security (CARES) Act

Key Provisions

Phase III of federal stimulus package in response to COVID 19

This bill has not yet been enacted, and this is only a summary of the draft legislation. Changes may occur, and this document will be updated accordingly

Last Update on 3/26 @ 10am

Direct Payments to Americans:

Estimated over \$300 billion in one-time checks for American adults and children

- \$1200 per adult/\$500 per child
 - Payments would phase out (in \$5 increments) for every \$100 in income over \$75,000 for singles, \$125k for heads of household and \$150k for married filing jointly (as determined by 2019 tax filings, and 2018 when those are not available)
 - Entirely phased out- meaning no payment- once you reach \$99k income for singles and \$198k for couples.
- Leniency on loans and withdrawals
 - No penalty for early withdrawal from retirement accounts if needed as a result of coronavirus
 - Federal student loan payments allowed to be suspended until September 30th without accruing interest

Support for Unemployed Workers:

Provides significant expansion of eligibility and program benefits for those who qualify. Most of the new and extended benefits end on December 31, 2020.

- Expands traditional unemployment insurance benefits (UI) and creates Pandemic Unemployment Assistance (PUA) benefits
 - Expands eligibility for those traditionally unable to access benefits (including self-employed and independent contractors) via PUA
- Increases UI & PUA payments by \$600 per week for four months of payments (on top of state payments)

- Provides funds to states for the first week of unemployment should they decide to pay recipients as soon as they become unemployed (typically there is a one-week waiting period before filers can apply for UI)
- Extends benefits for an additional 13 weeks

Support for Small Businesses:

\$377 billion for small business support through federally guaranteed loans, grants.

Small Business:

- \$349B in loans for small businesses (500 employees or less) and establishes the forgivable (see below) Paycheck Protection Program in the Small Business Administration (SBA)
 - Loans equal to 250% of average monthly payroll/cap of \$10million
 - Loans may cover salaries, paid sick leave, medical leave, insurance premiums, mortgage, rent and utility payments
 - Defines covered loan period to be 2/15/2020 – 6/30/2020
 - Expanded eligibility: includes 501c(3) organizations, 501c(19)veteran organizations, self-employed
 - Eligibility does not depend on repayment ability; instead only if it was operational on 2/15/2020 and it had employees or independent contractors
 - Waives certain components:
 - Borrower and lender fees for PPP
 - Credit elsewhere test for funds provided
 - Collateral and person guarantee requirements
 - Affiliation rules for hotels, motels, restaurants, and franchises
 - SBA Economic Injury Disaster Loans (EIDL's) through a \$10B emergency grant program
 - Maximum loan amount of \$2M
 - Interest rate of 3.75% for business and 2.75% for non-profits
 - Allows applicants who are awarded grants to receive an advance of \$10,000 within three days of award to maintain immediate expenses (payroll, paid sick leave)
 - Expedites approval for EIDL loans
 - Allows for EIDL recipients to also apply for PPP loans
 - EIDL loans can be refinanced to PPP loans
 - EIDL recipients who received the loan unrelated to COVID-19 can also apply for PPP payroll support, but that cannot be refinanced into a PPP
- Loan Forgiveness Guidance:
 - Establishes that a borrower *shall* be eligible for forgiveness
 - Forgiveness will be equal to the amount spent by the borrower in the 8 week period following the origination date of the loan on specified expenses (rent, payroll, utilities)
 - Payroll costs eligible for forgiveness, except for compensation over \$100,000 (salary amount in excess of \$100k not allowable)

- Amount forgiven will be reduced in proportion to the reduction (if any) of employees compared to the prior year and/or reduced by the reduction in pay of any employee above 25%
- Increases maximum loan for SBA Express loans from \$350,000 to \$1M through 12/31/20
- \$17B for SBA payments on all principal, interest, and fees on existing SBA products/allowance for
- \$265M for grants to Small Business Development Centers (SBDC's) and Women's Business Centers (WBC's) for technical support and assistance (counseling, training, technical assistance)
 - \$10M for Minority Business Centers (MBC's) and Minority Chambers of Commerce for technical support and assistance
- \$50B for the establishment of a retention credit for employers, allowing for a tax credit worth 50% of the salary of an employee who is retained on payroll
 - Capped at \$10,000 per employee for wages paid between 3/13- 12/31/2020
 - Eligible businesses:
 - Subject to full or partial shut-down order
 - See gross receipts decline by over 50% when compared to previous year
 - Ineligible:
 - SBA Business Interruption Loan recipients
- Regulatory Relief:
 - Allows businesses to carry back 100% losses from 2018, 2019 and 2020
 - Extend the due date for estimated payments for 2020 to October 15, 2020
 - Deferment of payroll taxes until 2021 and 2022
 - Allow for payment deferral of the 6.2% Social Security payroll tax

Support to Governments:

- \$150B for state, territorial, tribal & local governments via the Coronavirus Relief Fund
 - \$139B dedicated to states
 - Each state receives a minimum of \$1.2B- after that determined by population
 - Local governments with over 500k residents can apply for direct funding outside of state funds
- \$5B for Community Development Block Grant program to help over 1,000 states/counties/cities respond to economic and housing impacts
- \$400M in election support to states
- \$25B for local, public transit agencies

Direct Industry Support:

\$454 Billion fund created within the Federal Reserve to provide loans for distressed companies, which will include airlines and hotels.

Manufacturing:

- \$50M for Hollings Manufacturing Extension Partnership for small and mid-sized manufacturers
- \$10M for National Institute for Innovation in Manufacturing Biopharmaceuticals

Healthcare:

- \$150B to expand facilities charged with care for COVID 19 patients
 - Of that, \$100B for hospitals
 - \$1B for Indian Health Service
 - Remainder for additional building additional equipment capacity
- Medicare payment increase of 20% to hospitals and providers caring for coronavirus patients (upon request)
- \$1.3B for Community Health Centers

Other:

- \$75B for industry-specific loans
 - \$46B for airlines

Accountability:

- Creates the special inspector general for pandemic recovery within the Treasury Department
- Creates a Pandemic Response Accountability Committee that will oversee loans to businesses
- Prohibits a company run by the President, Vice President, or members of the Senate or Congressional bodies from receiving federal funds
- Prohibits any stock buyback from a company receiving the aforementioned support for the amount of time receiving federal support, plus one year.