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.