

# The C.A.R.E.S. Act (Coronavirus Aid, Relief & Economic Security Act)

**CARES Act, a \$2 trillion stimulus package that would be the third phase of the federal government's response to the COVID-19 pandemic.**

## It includes:

- \$500 billion in corporate liquidity from the Federal Reserve;
- \$377 billion for small business loans and other assistance;
- \$150 billion for hospitals, community health centers, and health care providers; and
- \$150 billion for state and local governments and includes tax rebates,
- 13 weeks of expanded unemployment benefits, and business tax relief.

## SMALL BUSINESS ECONOMIC INJURY DISASTER LOANS AND OTHER RELIEF

- \$377 billion is proposed to be allocated for Paycheck Protection Program and other assistance, aimed at helping small businesses make payroll and cover other expenses.
- \$350 billion of such relief would come through 100% guaranteed Small Business Administration (SBA) loans, a portion of which the SBA would forgive based on allowable expenses for the borrower.
- \$10 billion of the relief would be provided through direct grants for businesses that do not qualify for the Economic Injury Disaster Loans program.
- \$17 billion in relief resulting from the SBA stepping in and making six months of principal and interest payments for all currently outstanding SBA backed business loans.

## PAYCHECK PROTECTION PROGRAM

The Paycheck Protection Program would provide cash flow assistance through 100% federally guaranteed loans to employers that maintain their payroll during the pandemic. There would be no loan fees. For employers that do not lay off and continue to pay their employees, their loans would be forgiven.

It is proposed that this provision apply retroactively to **March 1, 2020 or Feb 15th, 2020 -\*\*TBD\*\*** to encourage employers to bring workers who may have already been laid off back onto payrolls.

- Small employers with 500 employees or fewer, including nonprofits, would be eligible to apply for the loans.
- Loans would be available immediately through existing SBA-certified lenders, including banks, credit unions, and other financial institutions, and SBA would be required to streamline the process to bring additional lenders into the program.
- The secretary of treasury would be authorized to expedite the addition of new lenders and make further enhancements to expedite delivery of capital to small employers.
- The size of the loans would be tied to an applicant's average monthly payroll, mortgage, rent, utility payments, and other debt obligations over the previous year. The maximum loan amount would be \$10 million.
- Conditional upon the business retaining their employees and payroll levels during the covered period (**March 1, 2020 or Feb 15th, 2020 TBD** , through June 30, 2020), the portion of the loan used to cover payroll and payments on pre-existing debt would be forgiven. Further, employers with tipped employees would receive forgiveness for additional wages paid to such employees during the covered time.
- **Small Business Contractors Also Get Protection:** Federal agencies would be required to extend contract performance periods and promptly pay small business contractors impacted by COVID-19.
- **Debt Relief:** For six months, SBA is required to pay all principal, interest and fees on all existing SBA loan products including 7(a), Community Advantage, 504, and Microloan programs for six months.

## **LOAN GUARANTY PROGRAM**

The bill would expand the allowable uses for the existing 7(a) SBA loan program to permit payroll support, including paid sick leave, supply chain disruptions, employee salaries, mortgage payments, and other debt obligations to provide immediate access to capital for affected small businesses.

- The maximum loan amount for SBA Express loans would be increased from \$350,000 to \$1 million. These loans would provide borrowers with revolving lines of credit for working capital purposes.
- The cost of participation in the 7(a) program would be reduced for both borrowers and lenders by providing fee waivers, an automatic deferment of payments for one year, and no prepayment penalties.

## **ENTREPRENEURIAL DEVELOPMENT**

The bill proposes providing grants to Business Development Centers to offer counseling, training, and related assistance to small businesses affected by COVID-19, in two forms:

- \$265 million for Small Business Development Centers and Women's Business Centers. The non-federal match for Women's Business Centers would be waived for a period of three months.
- \$10 million for Minority Business Development Agency's Minority Business Centers.

## **LOANS AND GUARANTEES FOR SEVERELY DISTRESSED SECTORS OF THE UNITED STATES ECONOMY**

The legislation would make available a total of \$500 billion to be administered by the secretary of the treasury through the Federal Reserve, through the Exchange Stabilization Fund, to provide sufficiently collateralized loans and loan guarantees to eligible "seriously distressed and absolutely essential companies" and "a broad-based credit facility that would be available across categories, across sectors and industries," according to Senator Pat Toomey (PA), including the following amounts:

- Up to \$50 billion for passenger air carriers
- Up to \$8 billion for cargo air carriers
- Up to \$150 billion for other eligible entities

### **These would be loans, not grants, and would have to be repaid.**

- The Federal Reserve would expect to be able to lend multiples of the \$500 billion capital buffer appropriated to the Treasury Department, with estimates ranging up to the \$4 trillion mark.
- The bill would ban stock buy-backs for any corporation that accepts government assistance during the term of the loan and for one year thereafter, and provide transparency as to the identity of loan recipients.
- Businesses owned by the president, vice president, members of Congress, and the heads of federal executive departments would be ineligible to receive loans or investments under the program.
- The legislation would create a special inspector general and five-person oversight board for the fund, with subpoena power, appointed by Congress for corporate assistance, similar to the Troubled Asset Relief Program in 2008.
- The treasury secretary would be afforded flexibility to provide collateralized loans and loan guarantees to domestic entities "that have incurred losses as a direct result of the coronavirus global pandemic" so they can maintain operations.
- Entities eligible for loans or loan guarantees would be those for whom credit is not otherwise reasonably available at the time of the transaction.
- An entity would only be eligible for relief if the treasury secretary determines its continued operations are jeopardized as a result of losses stemming directly from the coronavirus outbreak.
- Interest rates on any loans extended by the treasury secretary would be no less than the current average yield on outstanding marketable obligations of the United States of comparable maturity.
- The legislation would explicitly bar the treasury secretary from using the funds provided to make grants or direct cash payments to entities: "Nothing in this Act shall be construed to allow the president or treasury secretary to provide relief to eligible entities except in the form of sufficiently collateralized loans and loan guarantees."

## **BUSINESS: TAX, LOSSES, IMPROVEMENTS & FURLOUGHED EMPLOYEES**

- **Delays Payroll Tax Payments for Employers:** Employers would be able to delay the payment of their 2020 payroll taxes until 2021 and 2022
- **Restores Supports for Businesses Suffering Losses:** The bill also allows businesses to carry back losses from 2018, 2019, and 2020 to the previous 5 years, which will allow businesses access to immediate tax refunds
- **Encourages Businesses to Invest in Improvements:** The bill would fix cost recovery for investments in Qualified Improvement Properties, which will allow businesses that made these investments in 2018 and 2019 and receive tax refunds now.
- **Provides Another Option for Employers to Keep Connected to Their Employees.** Employers of all sizes that face closure orders or suffer economic hardship due to the coronavirus crisis that continue to pay employees that are furloughed may be eligible for a 50% credit on up to \$10,000 of wages paid to those employees. This will help workers keep their jobs, help local businesses ride out this storm, and ensure that furloughed workers have jobs to return to.

## **EXPANDED UNEMPLOYMENT BENEFITS**

The act would work to extend jobless insurance duration, increased unemployment payments and extend coverage to freelance, gig or furloughed employees.

- The government would give jobless workers an additional \$600 a week for four months (expires end of July), on average, depending on the state.
- **Includes \$250 billion to Expand Unemployment Benefits:** Provides economic relief and much-needed support for workers by making a significant investment in unemployment benefits.
- **More Money for a Longer Period for More Workers:** Makes benefits more generous by adding a \$600/week across-the-board payment increase on top of their state benefits, which range from \$200 to \$550 a week through the end of July. In addition, for those who need it, the bill provides an additional 13 weeks of benefits beyond what states typically allow
- **Unemployment Benefits for More Americans:** Makes sure self-employed and independent contractors, like Uber drivers and gig workers, can receive unemployment during the public health emergency. The bill also includes support to state and local governments and nonprofits so they can pay unemployment to their employees.
- **Temporary Provisions:** The expansion in unemployment benefits expires at the end of 2020 in recognition of the temporary nature of this challenge.

## **ECONOMIC IMPACT PAYMENTS**

These will be one time payments that are issued (within the next three weeks potentially) to qualifying Americans.

Payment will be issued to:

- One-time tax rebate check of \$1,200 per individual and \$500 per child for those with a valid SSN.
- There are no earned income or tax liability requirements to receive these rebate checks.
- The full rebate amount is available for those with incomes at or below \$75,000 for individuals, \$112,500 for head of household, and \$150,000 for married couples.
- No payment to individuals making more than \$99K
- Payments would start to phase out for individuals with adjusted gross incomes of more than \$75,000, and those making more than \$99,000

## HOSPITAL SUPPORT

Significant funding is being directed to support hospitals, & communities.

- 150 billion total
- 100 billion directly to hospitals
- 1 billion to Native American Health Services
- 49 Billion to increase medical equipment capacity

## HEALTH & MORE

Significant funding is being directed to support hospitals, & communities.

- The bill contains a significant expansion of telehealth by allowing patients to see doctors with whom they don't already have a relationship, connecting folks on home dialysis with providers, and allowing federally qualified health centers and rural health centers to participate.
- The bill also expands telehealth services for home health and hospice.
- Overburdened physicians need relief, so nurse practitioners and physicians' assistants will be able to prescribe home health services.
- Finally, the bill makes it easier for post-acute facilities to be fully utilized during this crisis.
- **Eliminates Red Tape for Employers and Individuals:** The bill ensures that Americans are able to use all tax-favored health care accounts, like HSAs and FSAs, to buy over-the-counter medicines tax-free without a prescription. In addition, high deductible health care plans with HSAs will now be able to provide coverage pre-deductible for telehealth services.

## Additional Support

- **Use of retirement funds:** The bill waives the 10% early withdrawal penalty for distributions up to \$100,000 for coronavirus-related purposes, retroactive to Jan. 1.
- **Payroll taxes:** The measure allows individuals to delay the payment of their 2020 payroll taxes until 2021 and 2022.
- **Coronavirus testing:** All testing and potential vaccines for COVID-19 will be covered at no cost to patients.
- **Housing Protections:** Protections against foreclosures on mortgages and eviction for renters.
  - The bill states that anyone facing a financial hardship from coronavirus shall be given a forbearance on a federally backed mortgage loan of up to 60 days, which can be extended for four periods of 30 days each. The legislation says that services of federally backed mortgage loans may not begin the foreclosure process for 60 days from March 18.
  - The bill also does not allow fees, penalties or additional interest to be charged as a result of delayed payments. It includes similar protections for those with multifamily federal mortgage loans, allowing them to receive a 30-day forbearance and up to two 30-day extensions.
  - Those with federally backed mortgage loans who have tenants would also not be allowed to evict tenants solely for failure to pay rent for a 120-day period, and they may not charge fees or penalties to tenants for failing to pay rent.

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