

**FROM:** AnnDyl Team

**RE:** Phase 3 Federal COVID-19 Stimulus Package

**DATE:** March 26, 2020

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Congress reached an agreement yesterday on the \$2 trillion COVID-19 stimulus package—the "Coronavirus Aid, Relief, and Economic Security Act" or "CARES Act." It is the third and largest legislative package so far to address COVID-19. (The first, signed into law on March 6, was an \$8.3 billion emergency funding bill to address treating and preventing the spread of the virus. The second, which goes into effect on April 2, has provisions on providing paid sick leave, free coronavirus testing, FMLA, expanding unemployment benefits, and more to employees, and includes over \$100 billion in aid.)

The Senate passed the bill unanimously last night, and passage in the House is expected Friday. Congressional leaders are now planning to pass the package in the House with a voice vote such that members aren't required to be present but the lawmakers in the chamber can verbally register their opposition or support.

Below please find summaries of relevant provisions and appropriations included in the final package. Note, *the final package does not contain any clean energy tax credits or other green provisions.*

### Summary of Phase 3 COVID-19 Package "CARES Act" Provisions

#### **Small Business Loans – "Paycheck Protection Program"**

- The finalized package includes **\$350 billion** worth of 100 percent guaranteed SBA loans, a portion of which SBA will forgive based on allowable expenses for the borrower.
- Eligible businesses are those with fewer than 500 employees (with certain exceptions). Includes sole-proprietors, independent contractors, and other self-employed individuals as eligible for loans.
- **Loan amount:** Maximum loan amount is the lesser of: Average total monthly payments for payroll costs incurred during prior year, multiplied by 2.5 **OR** \$10 million.
- Allowable uses of the loan include payroll support, such as employee salaries, paid sick or medical leave, insurance premiums, and mortgage, rent, and utility payments.
- **Loan forgiveness:** borrower shall be eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the loan **on payroll costs, interest payment on mortgage, payment of rent, and utility service payment.**

- Provides a limitation on a borrower from receiving this assistance and an economic injury disaster loan through SBA for the same purpose.
- **Increases the maximum loan for an SBA Express loan from \$350,000 to \$1 million** through December 31, 2020.
- **NEW PROVISIONS:**
  - Provides **\$10 billion** for SBA emergency grants of up to \$10,000 to provide immediate relief for small business operating costs.
  - **\$17 billion** for SBA to cover 6 months of principle and interest payments for all SBA backed business loans.

### **Unemployment Insurance**

- **UPDATED: Unemployment insurance program expansion.** 4 months of more unemployment insurance instead of 3 months. Increases the maximum unemployment benefit by \$600 per week and expands eligibility to cover more workers, such as the self-employed and those in the gig economy.

### **Rebates & Other Individual Provisions**

- Rebate checks: \$1,200 direct payment to individuals, with a phase out for those with incomes greater than \$75,000 and no benefit for those earning more than \$99,000. Families receive an additional \$500 per child.
- Special rules for the use of retirement funds. Waives the 10-percent early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes.

### **Business Tax Provisions**

- **NEW PROVISION:**
  - **Retention tax credit** for employers to encourage businesses to keep workers on payroll during the crisis.
    - **Refundable payroll tax credit for 50 percent of wages** paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19- related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.
    - The credit is based on qualified wages paid to the employee. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or

subject to a shut-down order. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee.

- The credit is provided **for wages paid or incurred from March 13, 2020 through December 31, 2020.**
  
- **The following provisions REMAIN IN:**
  - **Delay of payment of employer payroll taxes.** Payment would be due in half by December 31, 2021 and in full by December 31, 2022.
  - **Modification for net operating losses (NOL).** Would allow five-year carryback for 2018, 2019, and 2020 tax years, respectively.
  - **Modification of limitation on losses for taxpayers other than corporations.** The provision modifies the loss limitation applicable to pass-through businesses and sole proprietors, so they can benefit from the above NOL carryback rules.
  - **Modification of credit for prior year minimum tax liability of corporations.** Accelerates the ability for companies to recover alternative minimum tax (AMT) credits.
  - **Modification of limitation on business interest.** Increasing the 30-percent limitation to 50 percent of the taxable income for 2019 and 2020.
  - **Technical amendments regarding qualified improvement property (QIP).** Enables businesses to immediately write off costs associated with improving facilities—would unlock an estimated \$15 billion in liquidity for QIP expenses.

#### **Economic Stabilization**

- \$454 billion for the Federal Reserve to leverage loans to assist distressed businesses (economy-wide) as well as states and municipalities. Also includes additional funds for direct lending to airlines and businesses important to national security.

#### **States and Local Governments – “Coronavirus Relief Fund”**

- \$150 billion for state and local stimulus funds, with a small-state minimum of \$1.5 billion.

#### **Emergency Funding Included in the Package**

The package contains \$330 billion in new funding. (Notably, the \$3 billion authorization to purchase oil for the Strategic Petroleum Reserve from the original Republican proposal was removed from the bill.) The emergency supplemental appropriations include:

- **Small Business Administration (SBA) – \$562 million** for Economic Injury Disaster Loans (EIDL) Program. for administrative expenses and program subsidy. These loans will help businesses keep their doors open and pay their employees. SBA has signed emergency declarations for all 50 states so the program will be available to small businesses across the country that have been adversely impacted by COVID-19.

- **Low Income Home Energy Assistance Program (LIHEAP) – \$900 million** to help lower income households heat and cool their homes.
- **Internal Revenue Service (IRS) – \$250 million** in additional funding to the IRS to administer the new tax credits for paid leave.
- **Department of Labor –\$360 million** to invest in programs that provide training and supportive services for dislocated workers, seniors, migrant farmworkers, and homeless veterans.