



THE GAME MANUFACTURERS ASSOCIATION

Memorandum For: GAMA Board of Directors

From: John Stacy, Executive Director

Subject: [H.R. 748, Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#)

On March 27, H.R. 748 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a \$2 trillion stimulus package designed to provide aid to states, industry and workers during the coronavirus outbreak was enacted into law. The massive aid package is the third federal measure targeting the effects of the coronavirus pandemic in as many weeks, and by far the biggest. This package follows the [Coronavirus Preparedness and Response Supplemental Appropriations Act \(H.R. 6074\)](#), appropriation of over \$8.3 billion in emergency funding for small business disaster assistance loans and emergency health and medicine efforts, and the enactment of the [Families First Coronavirus Response Act \(H.R. 6201\)](#) which established paid leave guarantees for certain workers among other provisions.

Among the key features of interest to our members include:

Small Business Relief Measures

The CARES Act authorizes \$349 billion for the Paycheck Protection Program, which authorizes the Small Business Administration (SBA) to **provide forgivable loans to small businesses, defined as companies with less than 500 employees, to use for payroll expenses, such as employee salaries, paid sick or medical leave, insurance premiums, and mortgage, rent, and utility payments. The loan forgiveness option is structured to incent employers to keep their employees on the payroll. The amount of paycheck protection loans that will be forgiven will be reduced proportionally by any reduction in the employees or significant reduction in employee pay.**

Tax Benefits for Employers

The CARES Act provides a host of tax benefits for employers designed to incent and assist businesses to maintain their payroll during the COVID-19 crisis. Measures include:

Employee Retention Credit

The CARES Act provides a refundable payroll tax credit worth 50 percent of employee wages paid during the COVID-19 emergency. 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.

Employer Payroll Tax Delay

The bill allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. The deferred employment tax would be paid over the following two years.

Net Operating Loss Modifications

The legislation relaxes the limitations on a company's use of losses. Net operating losses (NOL) are currently subject to a taxable-income limitation, and they cannot be carried back to reduce income in a prior tax year. The bill allows an NOL arising in a tax year beginning in 2018, 2019 or 2020 to be carried back five years. The bill also temporarily removes the taxable income limitation to allow an NOL to fully offset income. The bill authors have stated that these changes are intended to allow companies to utilize losses and amend prior year returns to provide critical cash flow and liquidity during the COVID-19 emergency.

Temporary Pandemic Unemployment Assistance Program

The legislation expands access to federal unemployment benefits through the creation of a temporary Pandemic Unemployment Assistance program. The program will provide payment to those not traditionally eligible for unemployment benefits **(including those who are self-employed, independent contractors or with limited work history)** who are unable to work as a direct result of the coronavirus public health emergency. Benefits are available for individuals who are unemployed, partially unemployed or unable to work. This bill further provides an additional \$600 per week in unemployment benefits, on top of benefits available under other federal or state programs, for four months.

Individual Rebates

Under the bill, all U.S. residents with adjusted gross income up to \$75,000 (\$150,000 for married couples), who are not a dependent of another taxpayer and have a work eligible Social Security number, are eligible for a full \$1,200 (\$2,400 for married couples) rebate as well as an additional \$500 per child. This rebate is allowed even for those who have no income, as well as those whose income comes entirely from non-taxable means-tested benefit programs, such as SSI benefits.

For the majority of Americans, no action on their part will be required in order to receive a rebate check as the IRS will use taxpayers' 2019 tax return, if filed, or in the alternative their 2018 return. The rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold. The amount is completely phased-out for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children.

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