



YOUR GUIDE TO UNDERSTANDING THE CARES ACT

Coronavirus Aid, Relief, and Economic Security (CARES) Act

On March 27, 2020, President Trump signed H.R. 748, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, into law. The legislation, the benefits of which expire Dec. 31, 2020, provides emergency disaster relief to workers, small businesses, and distressed industries.

Small Business Benefits

The Act includes \$300 billion for Small Business Administration (SBA) loan guarantees and subsidies, increased funding for small business resources, and a \$350 billion “paycheck protection” program to incentivize small businesses, self-employed individuals, and contractors to keep employees on their payroll. This section is retroactive to February 15, 2020, to bring workers already laid-off back onto payrolls and working again.

- › The program would provide fee waivers and automatic deferments of payments for six months to one year for amounts that are not forgiven, with no prepayment penalties.
- › [APPLY TO THE PROGRAM HERE.](#)

- Expanded eligibility for qualifying small businesses and non-profits to immediately access **Economic Injury Disaster Loans (EIDL)**. If the employer maintains their average number of employees during the 8-week period beginning on the date of the origination of the loan, then the portion of the loan used to cover payroll costs, interest on mortgage, rent, utilities may be forgiven.

- › Permits SBA to have greater flexibility to distribute smaller loan amounts so many businesses can benefit.
- › Allows businesses that apply for a loan access to an emergency grant advance of \$10,000 within three days to maintain payroll, provide paid sick leave, and address other debt obligations.
- › [APPLY FOR THE GRANT PROGRAM HERE.](#)

- Streamlined approval and access to the small business disaster loan program, and a grant program through SBA resource partners to offer counseling, training, and other assistance to small businesses affected by COVID-19.

- SBA is required to pay all principal, interest, and fees on all existing SBA loan products for six months.

What is included:

- **A Paycheck Protection Program** expands the SBA’s 7(a) loan program to provide eight weeks of cash-flow assistance through 100 percent federally guaranteed loans to small businesses with fewer than 500 employees, self-employed individuals, and 501(c)(3) or 501(c)(19) nonprofits.
 - › Loans will be 250-percent of an employer’s average monthly payroll, up to \$10 million to cover: payroll costs; employee group healthcare benefits and insurance premiums, retirement contributions, and covered leave ; salaries, commissions, or similar compensations; payments of interest on mortgage obligations, or rent payments, existing prior to February 15; utilities, and interest on any other debt obligations incurred prior to February 15.
 - › 75% of PPP funds must be used on payroll expenses, including healthcare and paid leave. The remaining 25% can be used on costs related to rent, interest on mortgage, utilities, or interest on business loans existing prior to February 15, 2020.
 - › Funds used for payroll expenses, rent, interest on mortgage, and utilities are eligible for 100% forgiveness. The amount forgiven is proportional to any changes in the number of staff employed compared to the same time last year, or a reduction in pay beyond 25% of an employee’s prior compensation.

Unemployment Benefits

The Act includes \$250 billion to temporarily expand the size and scope of unemployment benefits for workers not normally covered under state unemployment laws. Benefits extend to self-employed and furloughed workers, and independent contractors





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What is included:

- An expansion for regular unemployment benefits by 13 weeks beyond what states typically allow, with a maximum of 39 weeks.
- Four months of \$600/week payments on top of standard unemployment checks, to equal roughly 100% of wage replacement for workers through July 31, 2020.
- Unemployment benefits for self-employed and independent contractors. This includes support to local and state governments, and nonprofits to pay employees.
- Temporary funding for short-term compensation programs so businesses can reduce work hours to avoid layoffs. Qualifying employees may be compensated for the prorated work reduction.

Tax-Based Benefits

The Act includes significant temporary assistance to keep small businesses open, and help address cash-flow and incentives for employers to maintain their payroll.

How it will affect you:

- The Treasury Department will begin rolling out one-time direct payments to Americans of up to \$1,200 for individuals, and \$2,400 for couples, being phased out based on income levels. Families will also receive \$500 per child.
 - › Full payments are available for individuals earning up to \$75,000 annually; for head of household up to \$112,000 annually; and for married couples up to \$150,000 annually. Eligibility is based on 2018 and 2019 tax returns, or Social Security eligibility.
- Employers that continue to pay employees will be eligible for a refundable payroll tax credit for half of what they spend on wages, up to \$5,000 per employee

per quarter. To qualify, businesses must prove they took a 50-percent loss compared to the same quarter in previous years. **NOTE: Employers who opt for this tax credit will not be eligible for certain SBA loans.**

- Employers will be permitted to delay payment of their 2020 payroll taxes until 2021 and 2022 to free up extra cash-flow for their businesses.
- Employers will be permitted to carryback losses from 2018, 2019, and 2020 back 5 years to access immediate tax assistance.
- Temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30% limitation to 50% of taxable income for 2019 and 2020.
- Fixes the 2017 tax overhaul to encourage retail small businesses to immediately deduct qualified property improvements from their taxes. Businesses can amend their 2018 and 2019 taxes to receive tax refunds.
 - › Qualified Improvement Properties include building expansion, internal structural framework of a building, roofs, HVAC, fire protection systems, alarm and security systems, and other property improvements.

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