

# How the CARES Act Impacts You and Your Clients

# WORKING for YOU.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act has numerous provisions that impact Big “I” members, businesses both large and small, and individuals. This document provides preliminary analysis of the Senate passed legislation and may change as additional information is released.

The legislation focuses on four urgent priorities: deliver aid to small businesses to avoid insolvencies and to keep paychecks flowing, provide recovery checks and unemployment insurance directly to the American people, appropriate additional funding and resources for the healthcare fight against COVID-19, and stabilize key industries to prevent mass layoffs.

## TITLE I - The Keeping American Workers Paid and Employed Act

The Keeping American Workers Paid and Employed Act (Title I of the CARES Act) would provide \$377 billion to help prevent workers from losing their jobs and small businesses from going under due to economic losses caused by the COVID-19 pandemic. The Paycheck Protection Program would provide 8 weeks of cash-flow assistance through 100% federally guaranteed loans to small employers who maintain their payroll during this emergency. If the employer maintains its payroll, then the portion of the loan used for covered payroll costs, interest on mortgage obligations, rent, and utilities would be forgiven, which would help workers to remain employed and affected small businesses and our economy to recover quickly from this crisis. This proposal would be retroactive to February 15, 2020 to help bring workers who may have already been laid off back onto payroll.

### Paycheck Protection Program

- The bill would provide \$350 billion to support loans through a new Paycheck Protection Program for:
  - Small employers with 500 employees or fewer, as well as those that meet the current Small Business Administration (SBA) size standards.
  - Self-employed individuals and “gig economy” individuals.
  - Certain nonprofits, including 501(c)(3) organizations and 501(c)(19) veteran organizations, and tribal business concerns with under 500 employees.
- The size of the loans would equal 250% of an employer’s average monthly payroll. The maximum loan amount would be \$10 million.
- Covered payroll costs include salary, wages, and payment of cash tips (up to an annual rate of pay of \$100,000); employee group health care benefits, including insurance premiums; retirement contributions; and covered leave.
- The cost of participation in the 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.
- Loans would be available immediately through more than 800 existing SBA-certified lenders, including banks, credit unions, and other financial institutions.
- The Treasury Secretary would be authorized to expedite the addition of new lenders and make further enhancements to quickly expedite delivery of capital to small employers.
- The maximum loan amount for SBA Express loans would be increased from \$350,000 to \$1 million. Express loans provide borrowers with revolving lines of credit for working capital purposes.

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## TITLE I - continued

### Entrepreneurial Assistance

- The bill would provide \$265 million for grants to SBA resource partners, including Small Business Development Centers and Women's Business Centers, to offer counseling, training, and related assistance to small businesses affected by COVID-19.

### Emergency EIDL Grants

- \$10 million would be provided for the Minority Business Development Agency to provide these services through Minority Business Centers and Minority Chambers of Commerce.
- \$10 billion would be provided to expand eligibility for entities suffering economic harm due to COVID-19 to access SBA's Economic Injury Disaster Loans (EIDL), while also giving SBA more flexibility to process and disperse small dollar loans.
- The bill would allow businesses that apply for an EIDL expedited access to capital through an Emergency Grant—an advance of \$10,000 within three days to maintain payroll, provide paid sick leave, and to service other debt obligations.

### Small Business Debt Relief

- \$17 billion would be provided for the SBA to pay all principal, interest, and fees on all existing SBA loan products for six months to provide relief to small businesses negatively affected by COVID-19.

## TITLE II - Assistance for American Workers, Families, and Businesses

- Includes \$250 billion to Expand Unemployment Benefits.
- Provides recovery checks to most taxpayers, providing cash immediately to individuals and families. Individuals are eligible for checks up to \$1,200 and married couples filing jointly are eligible for checks up to \$2,400, with an extra \$500 for each child. Eligibility for recovery checks is reduced starting at \$75,000 in 2018 income for individuals and \$150,000 in 2018 income for joint filers. Individuals with 2018 income exceeding \$99,000 and joint filers with 2018 income exceeding \$198,000 are ineligible.
- Extends the traditional April 15th tax filing deadline to July 15th and allows individuals required to make estimated tax payments to postpone them until October 15th.
- Loosens Rules on Retirement Accounts: Older Americans that are subject to mandatory minimum distributions from their retirement accounts would be able to keep their capital invested instead of being forced to cash out for 2020. Similarly, the bill also waives the 10% penalty on coronavirus-related early distributions from 401(k)s and IRAs, which applies to distributions made at any time during 2020.
- Provides tax relief to businesses affected by the coronavirus emergency. Allows deferred payments on estimated taxes and some payroll taxes, increased deductibility for interest expenses, immediate expensing of qualified property improvements, especially for the hospitality industry, and corrects errors in the Tax Cuts and Jobs Act that inadvertently affected certain businesses.
- Delays Payroll Tax Payments for Employers: Employers would be able to delay the payment of their 2020 payroll taxes until 2021 and 2022, leading to approximately \$300 billion of extra cash flow for businesses.
- 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.
- Provides a 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

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## TITLE II - continued

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 through December 31, 2020.

## TITLE III - Supporting America's Healthcare System in the Fight Against the Coronavirus

The CARES Act will help keep Americans healthy by:

- Increasing supply of drugs and equipment, including ventilators and masks.
- Increasing hiring for vital health care jobs during the public health crisis.
- Speeding development of a vaccine, treatments, and faster diagnostics.
- Increasing affordability of health care for COVID-19:
  - Makes all COVID-19 tests free.
  - Requires private insurance plans to cover COVID-19 treatments and vaccines.
  - Provides \$1.3 billion in immediate additional funding for Community Health Centers, which provide access to health care services for approximately 28 million Americans.

The CARES Act will help students who have had their education disrupted by:

- Allowing students to defer student loan payments for 6 months and to keep their Pell grants.
- Preventing students who have to leave school as a result of COVID-19 from losing eligibility for future Pell grants, and allowing students to keep unspent money from Pell grants or student loans.
- Allowing colleges and universities to continue to pay students for work-study programs even if they are unable to work due to closures.
- Allowing federal academic testing and accountability rules to be waived in K-12.

## TITLE IV - The Economic Assistance to Severely Distressed Sectors of the U.S. Economy

The Economic Assistance to Severely Distressed Sectors of the U.S. Economy (Title IV of the CARES Act) addresses the needs of severely distressed industries in order to stabilize the economy. The Exchange Stabilization Fund is an account housed within the U.S. Treasury Department. Congress is injecting this fund with \$500 billion, \$425 billion of which will be used for loans and guarantees to support credit facilities that will be established by the Federal Reserve.

- Provides \$500 billion to the U.S. Department of Treasury's Exchange Stabilization Fund to stabilize key national industries.
- Authorizes the Federal Reserve to leverage this fund and provide approximately \$4 trillion in direct assistance to various industries, cities and states.
- Protects taxpayers by establishing strict criteria for such loans, including sufficient loan security; timely program termination; no loan forgiveness; a demonstration that other credit from banks is not available; employment retention; and the Federal Government's compensation must account appropriately for risk (among others).
- Includes strict oversight for large corporations, including the creation of an independent Inspector General and Congressional Oversight Panel.
- Once the coronavirus pandemic has passed, the loans must be paid back – there is no loan forgiveness.

## TILE IV - The Coronavirus Relief Fund

The Coronavirus Relief Fund provides \$150 billion to States, Territories, and Tribal governments to use for expenditures incurred due to the public health emergency with respect to COVID-19 in the face of revenue declines, allocated by population proportions, with a minimum of \$1.24 billion for states with relatively small populations.

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