

## Congressional COVID Stimulus Package Update and Summary

### Top Line:

A \$2 trillion stimulus package was released earlier this afternoon. Senate leadership hopes to pass the measure later today (although legislative text is still not available) on a parliamentary procedure known as “unanimous consent.” This will allow the proposal to pass the Senate and then the House with only 2 House members present and avoid the need for calling House members back from recess.

### Provisions for Individuals:

- \$1,200 payments for individuals with income at or under \$75,000; \$2,400 for married couples at or under \$150,000. In addition, they are eligible for an additional \$500 per child.
- Consistent with previous disaster-related relief, the provision waives the 10-percent early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020. In addition, income attributable to these distributions would be subject to tax over three years, and the taxpayer may recontribute the funds to an eligible retirement plan within three years without regard to that year’s cap on contributions. Further, the provision provides flexibility for loans from certain retirement plans for coronavirus-related relief.

### Provisions for Corporations:

- **Net Operating Losses (NOLs)** relaxes the limitations on a company’s use of losses from prior years. The Tax Cuts and Jobs Act had eliminated for most taxpayers the use of so-called net operating loss (NOL) carrybacks. Package would allow losses from 2018, 2019, or 2020 to be carried back five years. The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income. The goal of this language is to allow companies to utilize losses and amend prior years’ returns, which will provide critical cash flow and liquidity during the COVID-19 emergency.
- **Deferred Social Security Tax Payment** 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. Employers generally are responsible for paying a 6.2-percent Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.
- **Refundable Payroll Tax Credit** authorizes 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.

- **Corporate AMT Credits.** The corporate alternative minimum tax (AMT) was repealed as part of the Tax Cuts and Jobs Act, but corporate AMT credits were made available as refundable credits over several years, ending in 2021. The provision accelerates the ability of companies to recover those AMT credits, permitting companies to claim a refund now and obtain additional cash flow during the COVID-19 emergency.
- **Business Interest Limitation**—temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30-percent limitation to 50 percent of taxable income (with adjustments) for 2019 and 2020. As businesses look to weather the storm of the current crisis, this provision will allow them to increase liquidity with a reduced cost of capital, so that they are able to continue operations and keep employees on payroll.
- **S-Corp and Pass Throughs**—language modifies the 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 utilize excess business losses and access critical cash flow to maintain operations and payroll for their employees.

#### **Small Business Provisions:**

- Includes several changes to the 7(a)-loan program, the SBA's primary program for providing financial assistance to small businesses.
- Establishes the maximum 7(a) loan (7a refers to section of Small Business Act that authorizes loans to small businesses) amount to \$10 million through December 31, 2020 and provides a formula by which the loan amount is tied to payroll costs incurred by the business to determine the size of the loan. Specifies 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.
- Increases the government guarantee of 7(a) loans to 100 percent through December 31, 2020, at which point guarantee percentages will return to 75 percent for loans exceeding \$150,000 and 85 percent for loans equal to or less than \$150,000.
- Allows complete deferment of 7(a) loan payments for at least six months and not more than a year and requires SBA to disseminate guidance to lenders on this deferment process within 30 days.
- Funds the program at \$349 billion for the 7(a) program through December 31, 2020.