Coronavirus Aid, Relief, and Economic Security Act:

Provisions for REALTORS® and Their Consumers

The U.S. Senate passed a $2 trillion COVID-19 economic relief package on March 25, 2020 with overwhelming bipartisan support.

The legislation now goes to the U.S. House, where it is expected to quickly pass. President Trump has said he will sign it into law.

The measure includes $349 billion for the Small Business Administration 7(a) loan program. Under the terms, businesses can get up to $10 million toward mortgage interest, rents, utilities, and payroll costs. A portion of these loans would be forgivable.

Affordable Housing

PROVIDES FOR:

- $1.25b for Section 8 voucher rental assistance for seniors, the disabled, and low-income working families, who will experience loss of income from the coronavirus
- $5b for CDBG to help communities and states address COVID-19
- $1 billion for project-based rental assistance to make up for reduced tenant payments as a result of coronavirus
- $50m for Section 202 Housing for the Elderly to maintain housing stability and services for low-income seniors
- $15 million for Section 811 Housing for Persons with Disabilities to make up for reduced tenant payments as a result of coronavirus
- Foreclosure moratorium on all federally-backed mortgage loans (Fannie Mae, Freddie Mac, HUD, VA and USDA) for 60 days (beginning March 18, 2020).
- Owners of multifamily properties who were current on their mortgage payments as of February 1, 2020, and have federally insured, assisted, or supplemented loan (Fannie Mae, Freddie Mac, FHA or any loans backed or assisted by any branch of the federal government, including LIHTC) may request forbearance for 30 days due to financial hardship, with extensions of up to a total of 90 days. Borrowers receiving the forbearance may not evict or charge late fees to tenants for the duration of the forbearance period.
- Moratorium on eviction filings, or fees or penalties for tenants for nonpayment of rent for 120 days on properties insured, guaranteed, supplemented, protected, or assisted in any way by HUD, Fannie Mae, Freddie Mac, the rural housing voucher program, covered by the Violence Against Women Act of 1994.

Banks & Credit Reporting (Financial Institutions)

OPTIONAL TEMPORARY RELIEF FROM CURRENT EXPECTED CREDIT LOSSES (section 4014)

- Insured depository institution, bank holding company, or affiliate.
- Shall not be required to comply with CECL

Source: NATIONAL ASSOCIATION OF REALTORS

AASEW
Apartment Association of Southeastern WI

- Until the earlier of the date of end of public health emergency, or January 31, 2020.

MORTGAGE FORBEARANCE

- Borrowers of government-backed mortgages can request up to 360-day payment forbearance.
- Proof of hardship isn't necessary.
- No additional fees, interest, or penalties can be assessed for the forbearance.
- Except for abandoned or vacant property, no foreclosure actions for 60 days from 3/18/2020.
- The stimulus bill may allow the Treasury/FHFA/Fed to create a potential liquidity facility for servicers, but the mechanics of how this access would work must ultimately be decided by the Administration.

CREDIT REPORTING

- These provisions apply from January 30, 2020 to 120 days after enactment or end of national emergency
- If furnishers provide an accommodation and customer makes payment or if no payment required, then furnisher must report customer as current
- If customer is delinquent before accommodation but brings account current, then furnisher must report customer as current
- Furnishers may maintain status of written off accounts.

OTHER BANKING PROVISIONS

- Empowers OCC to waive limitations on amounts banks may lend to one entity.
- Sets capital requirements for community banks at 8 percent during the pandemic emergency and provides grace period to meet that requirement which gives them more cash to deal with stress.
- Loan modifications resulting from the pandemic won't qualify as troubled debt restructures from 3/1/2020 to 12/31/2020 or 60 days after the end of the pandemic.
- Expands NCUA power to grant credit unions access to its Central Liquidity Facility.

Broadband

RECONNECT PILOT PROGRAM– $100 MILLION

- The bill would provide $100 million for a grant program, overseen by the Department of Agriculture, to fund construction and upgrade costs of broadband networks in rural areas.

DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM- $25 MILLION

- The bill provides additional funding for the DLT grant program, which supports rural communities' access to telecommunications-enabled information, audio, and video equipment, as well as related advanced technologies for students, teachers, and medical professionals.

WHAT DOES THIS MEAN FOR REALTORS®?

- **Broadband forms the infrastructure for the American economy's digital future. Policies that expand broadband will promote economic growth and increase**

opportunities for home sales. Studies have concluded that in communities where there is access to high speed internet, property values are 6 percent higher.

Federal Transit Administration

TRANSIT INFRASTRUCTURE GRANTS

- Provides $20,000,000,000 for "Transit Infrastructure Grants".
- Of the funds provided under this Act, (1) $4,000,000,000 shall be available for formula grants for rural areas and (2) $16,000,000,000 shall be available for urbanized area formula grants.

Health Care

SUMMARY

- $140.4 billion in funding for: reimbursements to hospitals and health care providers for COVID-19 related expenses; procuring personal protective equipment, ventilators, and other medical supplies for federal and state response efforts; advancing construction and manufacturing of vaccines; state and local preparedness grants, among other things.
- Requires the Food and Drug Administration (FDA) to prioritize and expedite review of drug applications and inspections.
- Promotes the use of telehealth services for health care delivery, education, and health information sharing.

SBA Provisions: Economic Injury Disaster Loans (EIDL) and 7(a) Payroll Protection Plan

The CARES Act dramatically increased the role of the Small Business Administration (SBA) in efforts to assist U.S. businesses impacted by the COVID-19 crisis. The two main vehicles for these relief efforts are the SBA 7(b)(2) loans – Economic Injury Disaster Loans – and the SBA 7(a) loan program. Both loans are available to businesses with 500 or fewer employees that have been negatively impacted by the crisis.

EMERGENCY ECONOMIC INJURY DISASTER LOAN (EIDL) GRANTS (SECTION. 1110)

- Businesses with 500 employees or less, including sole proprietors, independent contractors, and cooperatives are eligible for Economic Injury Disaster Loans (EIDL) during the covered period of January 31st to December 31, 2020 in response to COVID-19.
- The Economic Injury Disaster Loans are available for up to $2 million dollars for businesses.
- During the covered period, SBA can determine loan eligibility based solely on the applicant's credit score or use of an alternative appropriate method for determining an applicant's ability to repay.
- The SBA must waive any personal guarantee on loan advances or loans under $200,000.
- Legislation provides $10 billion in funding to provide an emergency advance of up to $10,000, which is forgivable debt, to small businesses within 3 days of the business applying for the Economic Injury Disaster Loan (EIDL).
- Economic Injury Disaster Loans may be used for the following:

- Paid sick leave to employees impacted by COVID-19
- Payroll
- Rent/Mortgage Payments
- Debt obligations due to loss revenues
- Increased costs for due to chain supply disruptions and materials.

SBA 7(a) Payroll Protection Program (Section. 1102 & 1106)

The CARES Act appropriates $349 billion to the SBA 7(a) loan program The SBA will receive increased funding to allow them to process applications more quickly, and can temporarily grant SBA lender status to lenders not currently participating in the program. Finally, it provides additional grant money for Small Business Development Centers around the country to provide aid and education to small businesses during the crisis and recovery.

- Businesses with 500 employees or less, including sole proprietors and independent contractors, are eligible for SBA 7(a) loans in response to COVID-19 covering expenses for the period of February 15, 2020 through June 30, 2020.
- The loan amount will be 250% of the average salary expenditures/month for 2019, up to $10 million. For businesses not open yet in that period, the SBA will look at earlier receipts from 2020.
- 7(a) loans can be used for:
  - Payroll, including for independent contractors and employees who work on commission;
  - Rent/Mortgage interest;
  - Utilities.
- All or a portion of these loans will be forgivable for businesses that maintain the same average payroll levels as in the previous year; forgivable amounts phase out as employers lower that.
- The bill also increases the SBA "Express Loan" limit from $350 thousand to $1 million.

WHAT DOES THIS MEAN FOR REALTORS®?

- **REALTORS® who are negatively impacted by the COVID-19 crisis are able to apply for SBA 7(a) loans of up to $10 million to cover business operating costs, including payroll, during the crisis (500 employees or fewer). (Section 1102)**
- **Small businesses and commercial tenants - clients of commercial practitioners - will be able to apply for these loans to cover business expenses, including rent and mortgage interest, during the crisis as well.**
- **A portion of the loans - that which goes toward payroll, rent, mortgage interest, and utilities - will be made forgivable for employers who maintain current salary levels (or bring staffing/salary levels back up by April 1 to pre-COVID-19 crisis levels). Employers who reduce their employee numbers or salaries will have the forgivable amount phased out, depending on their numbers. (Section 1106)**

Student Loans

- Suspends all payment due on federal student loans for 6 months.
- Interest shall not accrue on these during this forbearance.
- For the purpose of loan forgiveness, loans will be deemed paid during the forbearance.

Source: NATIONAL ASSOCIATION OF REALTORS

- Prohibits negative credit reporting or involuntary debt collection during forbearance period.

Tax

Highlights - What the tax changes mean for REALTORS® and their clients and businesses:

- REALTORS® and their families and their clients, as well as most Americans, with incomes below the thresholds will receive cash payments from the federal government in the amount of $1,200 per adult plus $500 for each child under the age of 17. These payments should be sent out starting in April.
- REALTORS® with retirement accounts, including IRAs, can take early withdrawals of up to $100,000 from those accounts without having to pay the 10% early-withdrawal penalty. Those who withdraw such funds can recontribute them to the plan over three years or can keep the money and pay the tax on the withdrawals over a three-year period.
- REALTORS® aged 70 1/2 or older do not have to worry about taking required minimum distributions from retirement plans in 2020, or to pay the taxes on those distributions.
- REALTORS® who make donations of up to $300 in charitable contributions in 2020 can deduct them whether they itemize or not.
- If your business has 100 or fewer employees, you can claim a refundable employee retention tax credit against payroll taxes of up to $5,000 per employee under certain circumstances. Larger employers also can claim the credit, but with more restrictions.
- Employers and self-employed individuals can delay the payment of the employer-portion of the FICA (Social Security) payroll taxes or one-half the SECA (self-employment taxes) until after 2020 – one half is due in 2021 and the other half in 2022.
- Businesses with losses can carry back net operating losses (NOLs) to prior taxable years and get refunds of earlier taxes paid.

DETAILS:

2020 Recovery rebates for individuals (section 2201):

- Tax credits are provided for individuals in the amount of $1,200 for single returns and $2,400 for joint returns
    - plus $500 for each child (under age 17 and qualifying for the child credit);
- Credits are reduced by 5% of the excess of adjusted gross income (AGI) over these thresholds:
    - $75,000 for a single return;
    - $150,000 for a joint return; and
    - $112,500 for a head of household return:
        - Thus, the credits would be fully phased out for income higher than the following amounts:
            - $99,000 for a single person with no qualifying child;
            - $198,000 for a couple filing a joint return with no qualifying children;
            - $218,000 for a couple filing a joint return with two qualifying children;
            - $146,500 for a single parent with one qualifying child:
                - (in all cases, the level of income before the phaseout is complete increases by $10,000 per child).
        - For limitation purposes, AGI is based on the 2019 tax return, if filed. If not, then AGI on the 2018 return would be the limit.

- There is no income floor or phase-in – all whose income does not exceed the thresholds will receive the same amount. Non-tax filers generally need not file a tax return to claim a rebate.
- The credits are not available to anyone who can be claimed as a dependent on another's return.
- If a tax return has not yet been filed for 2019, the 2018 tax return will be the point of reference. If no tax return was filed for either year, rebates can still be sent based on information on Social Security benefit statements.
- The rebates are fully available to residents of U.S. Territories, including Puerto Rico.
- The IRS will send out the payments electronically if any tax refund was sent in such a manner for the 2018 or 2019 tax return – also there will be a notice by mail to the last known address that the payment has been made electronically. If not, a paper check will be sent.
- Also, the act calls for a public awareness campaign to inform people about the rebates.
- No credit allowed if correct ID numbers (Social Security numbers) were not on tax returns, except in cases of spouses of active military personnel.
- IRS and Social Security Administration are appropriated extra funds to carry out the rebates.

Special Rules for Withdrawals from Retirement Funds (section 2202):

- The 10% extra tax on early withdrawals from IRAs and qualified retirement plans shall not apply to distributions of up to $100,000 related to coronavirus:
    - These are distributions made in 2020 to an individual diagnosed with COVID-19 or whose spouse or dependent is diagnosed or who experiences adverse financial consequences as a result of being quarantined, furloughed, or laid off due to such virus or is unable to work due to lack of child care or closing or reduced hours of his or her own business.
- Such amounts can be repaid to the retirement plan over a three-year period;
- If not repaid, the regular tax on the distribution can be paid over a three-year period;
- Certain coronavirus-related loans up to $100,000 from defined contribution plans are not treated as distributions and the repayment of such loans is extended.

Temporary Waiver of Required Minimum Distribution Rules for Certain Retirement Plans and Accounts (section 2203):

- The required minimum distribution (which requires people who turned age 70 ½ in 2019 to include a portion of their IRA or other defined contribution retirement account in their income) is waived for 2020.

Allowance of Partial Deduction for Charitable Contributions (section 2204):

- For 2020, charitable contributions of up to $300 are deductible for those who do not itemize deductions;
- Must be cash contributions to charities (but not to private foundations or donor advised funds).

Modification of Limitations on Charitable Contributions During 2020 (section 2205):

- The 60% of AGI limit for cash contributions is increased to 100% for charitable donations made in 2020. For corporations, the 10% of taxable income limitation is increased to 25%. For donations of food inventory, the limitation increases from 15% to 25%.

Source: NATIONAL ASSOCIATION OF REALTORS

Tax Exclusion for Employer Payments of Student Loans (section 2206):

- Payments by employers on student loans of employees are not subject to tax in 2020, up to $5,250 per employee. This cap also includes other educational assistance paid by the employer.

Employee Retention Credit for Employers Subject to Full or Partial Closure Due to COVID-19 (section 2301):

- Eligible employers (including certain tax-exempt organizations) can receive a refundable tax credit against payroll taxes for 50% of wages paid to certain employees during the COVID-19 crisis.
    - Wages subject to the credit for any employee cannot exceed $10,000, including health benefits.
    - The credit cannot exceed the employer's amount of Social Security (OASDI) taxes paid by the employer, reduced by any credits allowed for paid sick leave and paid FMLA leave (enacted in earlier coronavirus legislation).
    - Eligible employers are those:
        - carrying on a trade or business and that suffer a full or partial suspension of operations due to orders from a government authority to limit commerce, travel, or group meetings due to COVID-19; ***or*** that suffer a decline in quarterly gross receipts of more than 50%, measured against the same period in the prior year.
        - For employers with 100 or fewer full-time employees, all employee wages are eligible for the credit, regardless of whether an employee is furloughed or has hours reduced.
        - For employers with more than 100 full-time employees, wages eligible for the credit are those paid to employees when they are not working due to COVID-19-related circumstances.
        - The credit is not available to employers receiving Small Business Interruption Loans.
        - The credit is provided for wages paid or incurred from March 1threethrough December 31, 2020.

Delay of Payment of Employer Payroll Taxes (section 2302):

- Employers and self-employed individuals are allowed to defer payment of the employer share of the Social Security taxes of employees (this is one-half of the self-employment taxes of a self-employed individual) that arise between the effective date of the act and the end of 2020. The deferred tax can be paid over the following two years, with half required to be paid by December 31, 2021, and the other half due by December 31, 2022.
    - Employers who take advantage of SBA 7(a) loans designated for payroll are not eligible.

Modifications for Net Operating Losses (section 2303):

- Allows businesses to carry back net operating losses from 2018, 2019 or 2020 against profitable years, up to five years, and get immediate refunds. The current taxable income limitation is also temporarily removed to allow an NOL to fully offset income.

Source: NATIONAL ASSOCIATION OF REALTORS

Modification of Limitation on Losses for Taxpayers Other Than Corporations (section 2304):

- Retroactively modifies limitation on loss provision passed in TCJA for individuals and pass-through businesses so they can utilize excess business losses and access cash flow through net operating loss carrybacks.

Modification of Credit for Prior Year Minimum Tax Liability for Corporations (section 2305):

- The corporate alternative minimum tax (AMT) was repealed by 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.

Modifications of Limitation on Business Interest (section 2306):

- Temporarily increases the amount of interest expense that businesses are allowed to deduct by increasing the 30% limitation to 50% of taxable income for 2019 and 2020. Special rules apply for partnerships. This will provide relief for larger businesses (including commercial real estate firms) with interest expense (firms with average annual gross receipts of $25 million are generally exempt from the interest deduction limitation rules).

Technical Amendment Regarding Qualified Improvement Property (section 2307):

- Technical fix for Qualified Improvement Property – allows businesses to write off immediately the costs associated with improving internal improvements to certain real estate (including restaurants and retail stores), instead of having to depreciate them over the 39-year life of the building. This corrects an error in the Tax Cuts and Jobs Act and allows companies to file for refunds with an amended tax return for 2018 and access cash and also encourages them to continue to invest in internal improvements to buildings.

Unemployment Insurance

TITLE II – ASSISTANCE for AMERICAN WORKERS, FAMILIES and BUSINESSES, Subtitle A

Pandemic Unemployment Assistance, (Section 2102)

- The temporary Pandemic Unemployment Assistance program functions as unemployment insurance.
- The assistance would be federal provided and administered by the states.
- **Self-employed individuals, independent contractors, and other individuals who are unable to work as a direct result of COVID-19 public health emergency, and would not qualify for regular unemployment of extended benefits under state law are eligible to receive "Pandemic Unemployment Assistance."**
    - This **excludes** individuals who have an ability to telework or individuals who are receiving sick leave or other paid leave benefits
- The unemployment assistance benefits are provided to individuals who are unemployed, partially unemployed, or unable to work for the weeks those individuals were impacted as a result of COVID-19 between Jan. 27- December 31, 2020.
- **Provides for a maximum of 39 weeks of assistance and the amount is set by federal regulations (26 C.F.R. 625.6) and state programs, and can be increased by $600/per**

week up to four months an amount referred to as Federal Pandemic Unemployment Compensation."

- The amount of pandemic unemployment assistance provided to individuals will vary.
- Department of Labor will enter into an agreement with each willing state to provide these benefits and will cover 100 percent plus administrative costs.
- Funding is provided to pay the cost of the first week of unemployment benefits through December 31, 2020 for states that choose to pay recipients as they become unemployed instead of waiting one week before the individual is eligible to receive unemployment benefits.
- In order to expedite the pandemic benefits, the federal regulations for Disaster Unemployment Assistance will apply to Pandemic Unemployment Assistance.

Emergency Increase in Unemployment Compensation Benefits (Section 2104)

- States can enter into agreements with the DOL Secretary of Labor to receive "Federal Pandemic Unemployment Compensation" for its residents.
- This section provides individuals receiving unemployment insurance or Pandemic Unemployment Assistance with an additional **$600 per week** in Federal Pandemic Unemployment Assistance **for up to four months.**
- States have some authority to determine the timing of when the federal pandemic unemployment compensation is paid to individuals.

Pandemic Emergency Unemployment Compensation (Section 2107)

- Provides individuals receiving pandemic unemployment compensation to **receive an additional 13 weeks of unemployment benefits** through December 31, 2020 to help individuals who remain unemployed after weeks of state unemployment are no longer available.

Families First Coronavirus Response Act (FFCRA) Amendments

Limitation on paid leave (section 3601):

- Amends the Family and Medical Leave Act (FMLA) expansion in the FFCRA to ensure that no employer is required to pay more than $200 per day and $10,000 in the aggregate for each employee.

Paid leave for rehired employees (section 3606):

- Expands the FMLA leave in FFCRA to include as eligible employees, those that were employed for 30 days but were laid off by that employer after March 1, 2020, had worked for the employer for not less than 30 of the last 60 calendar days, and was rehired by the employer.

Emergency Paid Sick Leave Act Limitation (section 3602)

- Amends the emergency paid sick leave provisions in the FFCRA to
    - ensure that no employer is required to pay more than either $511/day and $5,110 in the aggregate for direct COVID-19 impact or $200/day and $2,000 in the aggregate for care of others related COVID-19 impact.