

Selected Summary of Coronavirus Aid, Relief, and Economic Security Act

H.R. 748

Early this morning, the Senate voted 96-0 (four Senators were in self-isolation) and approved the Coronavirus Aid, Relief, and Economic Security Act or CARES. CARES has a new bill number, H.R. 748. The previous bill number was S. 3548. The House is scheduled to vote Friday on the measure. The president will sign the bill shortly thereafter. The bill is a bifurcated measure, providing a series of tax and revenue provisions and programmatic funding that targets health care, nutrition, transportation, economic development and housing needs.

The bill represents the third tranche of economic and health assistance to the nation. Speaker of the House, Nancy Pelosi, has indicated that this is not final response from Congress and that additional aid packages are expected later this spring and summer.

I. General Observations

As has been widely reported, H.R. 748 is the largest recovery package in the history of the nation. The bill exceeds 800 pages. It reaches into every corner of the economy. The focus is generally on the general public, small and medium-sized businesses and the healthcare industry. Large corporations are for the most part excluded from the package, but for potential support through revisions to the tax code related to Net Operating Losses and other measures to claw back losses from prior years to for use in the coming tax years. Limited loan and loan guarantees are authorized to support large corporations, but come with prohibitions on executive pay levels and stock buybacks. Excluding provisions supporting the Federal Reserve's ability to purchase, trade and sell public sector bonds, similar to the 2008 crisis's Quantitative Easing Program, the bill commits \$2 trillion plus in assistance to support hundreds of economic and health-related needs including:

- Medical and healthcare support related medical devices, testing, research, revisions to HSA's and other medical insurance matters, and telemedicine;
- Small business loans and guarantees to help retain employees and pay operations costs;
- Unemployment insurance for up to 39 weeks at 100% of salary;
- Paid sick and family/medical leave mandates;
- Tax credits related to payroll taxes for the private sector;
- Direct cash payments to individuals;
- Homelessness and Veterans assistance
- low-income taxpayer energy assistance needs;
- Community development needs;
- Mortgage assistance for single and multi-family homes;
- Renter assistance;
- Tax credits and revisions to business loss deductions;

- Retirement fund withdrawals;
- Insuring Money Market Funds; and
- General increases in agency funding for FY 2020 to maintain operations.

The legislation represents a compromise between Senate Republicans and Democrats and enjoys the support of the House leadership. The following summarize the highlights of the key provisions of note. In an effort to assist you and your staff, we provide page numbers (where appropriate) of the bill text. There is no accompanying report as of this time.

II. Revenue and Related Provisions

- **Division A (Page 8) Small Business (less than 500 employees)**
 - Authorizes credit unions to participate in providing loans in addition to banks (page 9)
 - Provides for loans from Small Business Administration (SBA) to provide paycheck protection (page 9-15) and eligible uses include: wages/salaries, vacation, parental, family, medical or sick leave, dismissal, group health benefits, retirement, state and local tax assessments. Compensation cannot exceed \$100,000 annually (prorated) per individual.
 - For credits provided under second tranche (H.R. 6201) related to sick leave and family leave no duplication of benefits
 - Sole proprietors, independent contractors and self-employed eligible for assistance
 - Maximum loan assistance derived based upon formula relying on payroll costs incurred one year before application date (page 18)
 - \$349 billion is provided to make loans (page 31/52) and \$10 billion for SBA Emergency EIDL Grants (page 54/66) and \$17 billion to cover subsidy costs
 - Allowable costs for assistance (page 20-21):
 - Payroll
 - Group healthcare and paid sick, family
 - Employee salaries, commissions and similar compensation
 - Mortgage and rent payments
 - Utilities
 - Interest on debt incurred prior to crisis
 - Eligible entities for assistance must have been in business on 2/15/2020 and paid employees and payroll taxes and provisions include (page 23-29):
 - No personal guarantees for assistance required
 - No collateral
 - Term of loans: 10 years after application of forgiveness (SBA can forgive loans) for remaining amount (if any)
 - Payment deferral of at least 6 months (not more than 1 year) on principle, interest and fees
 -
 - Borrower certifications for assistance require good faith statement:

- Uncertainty of economic conditions
 - Funds use to retain employees or make payments related to eligible actions (page 20-21)
- Addition assistance is provided to support grants for education, training and advising in support of efforts to address applying for assistance, hazards prevention, supply chain disruption, telework, cybersecurity and other business practices to reduce economic risks (page 33-35)
- Assistance provided to Women's Business Centers through a 20% setaside (page 35) similar to above assistance activities
- Loan forgiveness request must be submitted to Lender and meet several criteria (page 49-50)
- **Title II Assistance for American Workers, Families, and Businesses (page 84)**
 - Unemployment insurance provided for 39 weeks with extension of benefits provided consistent with any future extensions (page 90)
 - Assistance benefit must not be less than minimum weekly benefit and amounts provided in this bill (page 91) which captures additional \$600 per week payment on top of benefit (page 99)
 - No waiting period for benefit and full federal funding of first week of assistance (page 107)
 - Provisions to disregard compensation under Medicaid and CHIP for calculation of benefit (page 105)
- **Subtitle B Rebates and Other Individual Provisions**
 - Individuals receive cash payments:
 - \$1,200 single and \$2,400 joint filers
 - Payments decrease where AGI exceeds \$112,500 for head of household, \$150,000 for joint filers, and \$75,000 for single filers
 - Payments to be made electronically, postal or in the case of an individual without bank account—debit card
 - Early withdrawal from retirement accounts of up to \$100,000 without incurring 10% penalty and repayment allowed over three years (page 157)
 - Qualified plans allowed to disburse up to \$100,000 also
 - Required Minimum Distributions for 2020 waived (page 167)
- **Subtitle C Business Provisions (page 178)**
 - Tax credit against employment taxes for each calendar quarter equal to 50% for each employee (businesses with employees greater than 100 (page 182), provided:
 - Eligible employer means any employer conducting business in 2020 for which activities suspended due to orders from governmental authority limiting commerce, travel or group meetings (page 180)
 - Calendar quarter defined by significant decline in gross receipts (page 180)
 - Benefit cannot exceed \$10 thousand per employee for all quarters

- Credit must be reduced to account for any credits extended under second stimulus bill, Families First Coronavirus Response Act, Sections 7001 and 7003
 - Credit does not apply governmental employers (page 185)
- Employer payroll taxes delayed – 50% not due before 12/31/2021 and remaining 50% due 12/31/2022 (page 192)
- Net Operating Losses modified by temporary repeal of taxable income limitation (page 193-196) Effective dates (page 200)
- Credit for prior year minimum tax liability modified to allow for entire refundable credit amount in 2018 (page 205) and review and determination made by Treasury within 90 days of application of election
- Business interest limitation increased from 30% to 50% (page 208)

- **Subtitle C Labor Provisions (page 349)**
 - Family and Medical Leave limitation on employer:
 - \$200 per day and \$10,000 in aggregate
 - Sick Leave Limitation:
 - \$511 per day and \$5110 in aggregate for employee:
 - Quarantine or isolation order
 - Advised by healthcare provider to self-quarantine
 - Experiencing symptoms
 - \$200 per day and \$2000 in aggregate for employee:
 - Caring for an individual
 - Caring for son or daughter where school or place of care is closed or care provider unavailable
 - Experiencing any other conditions as specified by HHS in consultation with Treasury and Labor Secretaries
 - Advanced Refunding of Credits provided for payroll paid sick and paid family leave (page 353)
 -

- **Title IV Economic Stabilization and Assistance for Severely Distressed Sectors of the U.S. Economy (page 510)**
 - \$454 billion provided to Federal Reserve to make loans and guarantees if not provided entirely to airports and airlines
 - Provisions against stock buy backs and excessive executive pay mandated as condition of assistance (pages 513- 524 and 530)
 - Federal Reserve authorized to provide assistance to financial system that supports lending to states and municipalities to ensure liquidity (page 524)
 - Treasury provided authority to sell, exercise or surrender warrants or any senior debt, but does not have voting rights
 - Loan forgiveness denied and includes states and municipalities (page 526)
 - Foreclosure moratorium on loans backed by FHA, NHA, Housing and Community Development Act, Department of Veterans Affairs, USDA, or purchased or

securitized by Federal Home Loan Mortgage Corp. or Federal National Mortgage Association (page 568)

- Period of 180 days and extension of additional 180 days
- No additional interest or fees allowed if borrower in compliance with terms of mortgage
- Protections against rental evictions provided (page 572 and 574)
- **Title V and VI Coronavirus Relief Fund (page 602)**

The bill includes \$150 billion for a Coronavirus Relief Fund. During negotiations this important state-local provisions was referred to as the “State Stabilization Fund.”

- \$150 billion is provided of which
 - \$11 billion for the District of Columbia, territories, and tribal governments
 - \$139 billion – to local governments with populations over 500,000 or more can apply for direct payments through the U.S. Department of the Treasury
- Funds will be distributed to states using a population-based formula to determine the amount each state receives
- No state will receive less than \$1.25 billion
- Funds can only be used to cover costs directly related to COVID-19 responses from March 2020 through 12/31/2020

III. Division B—Emergency Appropriations for Coronavirus Health Response and Agency Operations

H.R. 748 also provides for appropriations to maintain operations at federal agencies related to the emergency and funding provided in H.R. 6201, the second tranche of assistance. Below are selected provisions of these appropriations.

- **U.S. Department of Agriculture Programs**
 - \$20.5 million is provided to support rural business development needs.
 - \$25.0 million is provided to support telemedicine distance learning needs.
 - Child Nutrition Programs are funded at \$8.8 billion.
 - Supplemental Nutrition Assistance Program (SNAP) is funded at \$15.8 billion to support unforeseen nutrition needs.
 - \$450 million is provided to support food commodity distribution needs.
- **Economic Development Administration**
 - \$1.5 billion to support community economic adjustment assistance grants, loans, guarantees and other assistance for development of public facilities and other needs

to address real or threatened sever unemployment. Declaration under Stafford Disaster Act creates eligibility.

- **National Institute of Standards and Technology**
 - \$60 million to support manufactures to prevent, prepare for, and respond to Coronavirus.
 - **National Oceanic and Atmospheric Administration (NOAA)**
 - \$20 million to support operations and research related to National Weather Service property.
- **Department of Justice**
 - \$850 million awarded under formula used in 2019 for grants to support state and local law enforcement assistance.
- **Election Assistance Commission**
 - \$400 million in grants support of state efforts to facilitate early voting, mail-in voting and online registration.
- **Small Business Administration**
 - \$562 million to support administration of Disaster Loan Program.
 - \$350 billion to provide 100% guaranteed loans (provided through previously enacted second tranche)
- **Federal Emergency Management Agency (FEMA)**
 - \$45 billion of which \$25 billion is to support major disasters under the Stafford Disaster Relief and Emergency Assistance Act and \$15 billion for other disasters.
 - \$400 million in additional assistance of which \$100 million is for firefighter grants, \$100 million for Emergency Management Performance Grants and \$200 million for emergency food and shelter.
- **Environmental Protection Agency**
 - \$1.5 million for research on methods to reduce Coronavirus risks.
 - \$1.5 million to support expedited approvals of pesticides that can address Coronavirus.
- **Department of Labor**
 - \$345 million to support dislocated workers assistance reserve fund
- **Department of Health and Human Services**
 - \$4.3 billion of which \$1.5 billion is for grants to states, localities and other governmental entities to carry out surveillance, epidemiology, laboratory capacity, infection, control, mitigation, communications and other activities. As part of this,

any grantee that received a Health Emergency Preparedness grant in FY 2019 shall receive not less 100% of that grant from this funding.

- \$900 million to provide low income home energy assistance.
- \$3.5 billion for Child Care and Development Block Grant assistance as a supplement and not replace assistance. Assistance can be provided to childcare providers that lost enrollment or have closed.
- \$1.9 billion to support among other activities Head Start would receive \$750 million. Assistance provided to support family violence prevention, temporary housing and activities related to runaways and homeless youth.
- \$995 million to support needs of older Americans, including nutrition programs, caregivers, elder rights, aging and disability resource centers, and independent living centers.

- **Department of Education**

- \$100 million to support funding under Project SERV to assist elementary, secondary and post-secondary schools clean and disinfect.

- **Department of Transportation**

- \$7.4 billion to support 100% grants to airport needs.
 - \$100 million setaside for general aviation.
 - \$25 billion to support grants for transit infrastructure.
 - Real ID deadline extended until 9/30/2021

- **Department of Housing and Urban Development**

- \$5.0 billion to support Community Development Block Grants to communities in need of housing and economic assistance. \$1 billion is reserved for states to coordinate responses across entitlement and non-entitlement communities. \$2 billion is to be allocated to states and local communities based upon FY 2020 program allocation formula. \$2 billion will be allocated to communities based upon prevalence and needs.
 - \$1.3 billion to support public housing and Indian housing needs, including increases in housing voucher per unit costs.
 - \$685 million to support public housing operations.
 - \$65 million to provide rental assistance, support services, and other actions for persons with AIDS.
 - \$5 billion for Community Development Fund of which \$2 billion is to support grants to grantees that received an allocation (using same formula) in FY 2020. Funding can be used for reimbursement of costs without regard to when costs incurred.
 - \$4 billion to provide Emergency Solutions Grants assistance to individuals and families who are homeless or are receiving homeless assistance to mitigate impacts of Coronavirus. \$2 billion of appropriation is to be distributed to grantees that received allocations under FY 2020 formula. Any individual or family not exceeding the “Very Low-Income Limit of the area shall be considered at risk for homelessness and eligible for assistance.

- \$1.0 billion to support project-based rental assistance to owners of properties.
- \$50 million to support housing for elderly property owners. \$15 million to provide similar assistance for housing for persons with disabilities.