

On Friday, March 27<sup>th</sup>, 2020, President Trump signed into law the, "Coronavirus Aid, Relief, and Economic Security (CARES) Act." At \$2.2 trillion it is the largest U.S. economic stimulus package in history. For comparison, the 2008 financial crisis package and ensuing American Recovery and Reinvestment Act (ARRA) stimulus package were \$700 billion and \$800 billion, respectively.

Key funding provisions of the CARES Act include:

- \$500 billion for businesses and local governments, including:
  - \$454 billion loan program for distressed businesses, cities, and states
  - \$25 billion for passenger airlines and related businesses
  - \$17 billion for businesses "critical to maintaining national security"
  - \$4 billion for cargo airlines
- Almost \$380 billion in assistance for small businesses, including:
  - \$349 billion loan program administered by the Small Business Administration (SBA) to provide forgivable loans to small businesses and non-profits to maintain existing workforce levels and to help pay other expenses.
  - \$17 billion to cover six months of loan forbearance for small businesses with existing SBA loans.
  - \$10 billion for emergency grants of up to \$10,000 to provide immediate relief for small business operating costs.
- Direct payments to individuals:
  - Individuals making \$75,000 or less will receive \$1,200 and \$500 per child (\$3,400 for a family of four).
  - The amount of the payments phases-down for those earning between \$75,000 and \$99,000 (\$150,000 / \$198,000 for couples).
  - Individuals earning more than \$99,000 (\$198,000/couple) will not receive a check.
- Expanded unemployment insurance:
  - An additional \$600 per person over existing state programs, for up to four months.
  - Extends eligibility to self-employed, contract, and other workers.
- \$150 billion in aid to State and Local governments:
  - Based on population, but no state shall receive a payment of not less than \$1.25 billion.
- ≈ \$150 billion for the healthcare system:
  - \$100 billion to a "Public Health and Social Services Emergency Fund," to reimburse eligible healthcare providers for expenses or lost revenues related to the COVID-19 pandemic.
  - Billions of additional investment in medical research and medical equipment and infrastructure, including protective equipment, testing supplies, and increased workforce and training.
- \$30 billion for education
- \$25 billion for transit systems

Other notable provisions in the bill include:

- An Employee Retention Tax Credit
  - A 50 percent refundable tax credit on the first \$10,000 of compensation, including health benefits, paid to an eligible employee, from March 13, 2020 through December 31, 2020.
  - Eligible employers had to fully or partially suspend operations due to a COVID-19-related shut-down order, or have gross receipts decline by more than 50 percent when compared to the same quarter in the prior year.
  - For eligible 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.
  - For eligible employers with 100 or fewer full-time employees, ALL employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.
- Federal student loan relief
  - Payments can be frozen until September 30, 2020, but this six months can still be counted for purposes of any student loan forgiveness program.
  - No interest on payments through September 30, 2020.
  - Employers may contribute up to \$5,250 annually toward student loans without it being counted in an employee's taxable income.
- Delay employer payroll tax payments
  - Employers and the self-employed can defer payment of the Social Security tax on 2020 employee wages, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.
- Net operating loss allowance
  - Allows a net operating loss (NOL) from 2018, 2019, or 2020 to be carried back five years, and temporarily removes the taxable income limitation to allow an NOL to offset income fully. Currently, NOLs are subject to a taxable-income limitation and cannot be carried back to reduce income in a prior tax year.
- Limitations on losses for taxpayers other than corporations
  - Suspends the limitations on use of a pass-through business' losses against non-business income for three years, so that the limits would not apply to tax years beginning in 2018, 2019, and 2020.
- Corporate AMT credit
  - The corporate alternative minimum tax (AMT) was repealed as part of the Tax Cuts and Jobs Act, but corporate AMT credits continue as refundable credits until 2021. The CARES Act allows companies to recover those credits immediately.
- Limitations on business interest expense
  - The provision 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.