On March 25th 2020, the Senate passed the largest rescue package in U.S. history. The House passed the bill on March 27th, and the President immediately signed it into law. The bill, known as the *Coronavirus Aid, Relief, and Economic Security Act* (the CARES Act), provides a whopping $2.2 trillion in aid to individuals, small to medium-sized businesses and certain industries stricken by the effects of the virus or actions taken to contain it. This Act serves as the third phase of the COVID-19 relief provided by the government in response to the pandemic. The legislation provides substantial help to the following groups:

A. Direct Payments to Americans  
B. Favorable Loans to Small Businesses  
C. Assistance to Severely Distressed Business Sectors  
D. Significant Funding to the Health Care Industry

More detail regarding some of the more broadly impactful sections of the law follows.

I. Small Businesses

- **Coverage period.** March 1st to December 31st 2020  
- **Eligible Companies.** (includes nonprofits, but not nonprofits receiving Medicaid expenditures) employing 500 employees or less  
- **Loan.** Eligible for a loan under Small Business Act (Sec. 636(a))  
- **Appropriation.** $350 billion administered through the Small Business Administration, that will provide eligible entities with loans to cover the costs of payroll, healthcare benefits, mortgage interest, rent, utilities, and certain other obligations.  
- **Max Loan Amount.** Maximum loan 2.5 times monthly payments (for payroll, mortgage, rent, other debt less than 1 year old) or $10 million. Maximum maturity of 10 years after forgiveness.  
- **Approved uses of loan.** Employers may spend the loan on these uses:
  - Payroll  
  - Employee salaries  
  - Mortgage payments  
  - Rent  
  - Utilities  
  - Health insurance coverage costs  
  - Other debt  
- **No fees** collected for the loan and no personal guarantee is required by the applicant. Lenders are reimbursed for administration costs of the loan.  
- **Forgiveness.** Those who meet requirements would have costs such as payroll, mortgage, rent and utilities forgiven and treated as canceled indebtedness. Limitations as to reduction in number of employees apply.
II. Labor

- **Family Leave Revisions** – Under Family and Medical Leave Act, employers are not required to pay more than $511 per day for employees on leave to quarantine or seek a diagnosis or preventive care for COVID-19 or $200 per day for employees to care for a family member for such purposes or to care for a child whose school has closed, or child care provider is unavailable, due to COVID-19.

- **Unemployment Revisions** –
  - **Applications** – for unemployment can be made in person, by phone or online
  - **Eligible Employees** – employees who worked for the employer for at least 30 calendar days. Also includes rehired employees who worked for 30 calendar days of the previous 60 days and were furloughed not before March 1st, and were rehired.
  - **Expanded unemployment insurance**. For laid-off workers unemployment payments are increased to cover 4 months, rather than the usual 3 months. The maximum benefit will rise by a flat $600 per week on top of state benefits which range from $200 to $550 a week depending on the state. This applies to traditional, self-employed and freelance (gig) workers. It also allows furloughed workers to stay on as employees, so they can quickly go back to work once the crisis relents.
  - **Length of Unemployment**. State unemployment lasts anywhere from 12 to 28 weeks depending upon the state. An additional 13 weeks of benefits funded by the federal government will be appended to that relief.

III. Individuals, Families

- **Rebates**. Recovery rebates for individuals and families for these amounts as a credit against tax in 2020:
  - From $600 to $1200 for individuals ($1200 to $2400 for joint income tax returns)
  - $500 for qualifying children (under age 17)
  - The payments will be made in two rounds on April 6 and May 18.
  - The estimated cost is $250 billion each
  - Payments will be phased out at $75,000 of income for individuals ($112,500 for head of household, $150,000 for joint returns) and completely phased out by $98,000 of income for individuals ($125,000 for head of household, $198,000 for joint returns)
  - Individuals with no income would receive $600
  - Individuals must have a social security number to receive payment (or adoption taxpayer identification number for such children)
  - Residents of U.S. possessions with a mirror tax code will also receive payments

- **Payment Logistics**. If you filed your tax return to receive your refund via direct deposit, which is about half of taxpayers, then most of these individuals will receive the rebate in three weeks. Other eligible recipients may either get a check or a debit card.

- **Income taxes**. Delay of deadline to file 2019 income tax from April 15th to July 15th. Any estimated payments are not due until October 15th.
The Coronavirus CARES Act

Nerre Shuriah, JD, LLM, CEPA™ | SVP, Wealth Planning Director

- **Retirement Fund Withdrawals.** There are two major changes made to qualified plan rules.
  - **Early Withdrawals.** The Section 72(t) 10% early withdrawal penalty from qualified plans including IRAs and retirement plans (younger than 59½) has been waived for COVID-19-related distributions up to $100,000. Income tax due on such withdrawals will be due over three years, and such amounts may be repaid back to the qualified plan. The distribution must be “COVID-19-related” meaning for:
    - An individual diagnosed with COVID-19
    - An individual whose spouse or dependent is diagnosed with COVID-19
    - An individual who experiences adverse financial effect as a result of being quarantined, furloughed, reduced work house or unable to work due to child care, has to close their business or reduce hours of their business as a result of the disease
  - **RMDs Not Required.** Required minimum distributions for 2020 are not required from certain qualified plans (does not include 403b plans and some 457b plans).
  - **Loans from Qualified Plans.** The cap on loans from qualified plans is raised from $50,000 to $100,000. Due dates on outstanding loans may be delayed one year.

- **Charitable Contributions.** Two changes have been made to reporting charitable gifts.
  - **Above the Line Deduction.** Beginning in 2020, for taxpayers who do not itemize deductions, an amount up to $300 of qualified charitable contributions of cash is allowed above the line (i.e. does not need to be taken on Schedule A via itemized deductions).
  - **Suspension of Limits on Charitable Contributions.** For individuals who do itemize deductions, contributions are allowed as a deduction up to 100% of AGI (with any contributions in excess of that to be carried forward for the next 5 years). For corporations, the deduction must not exceed 25% of the taxpayer’s taxable income.

IV. **Businesses**

- **Filing Dates.** Income tax filing deadlines and payment deadlines are moved back to July 15th. Estimated payments are due October 15th.
- **Payroll taxes.** Payment of payroll taxes may be delayed and paid over the course of two years, 50% by December 31, 2021 and 50% by December 31, 2022.
- **Net operating losses.** NOLs from 2018, 2019, and 2020 can be carried back for five years and may fully offset income.

V. **Distressed Sectors of the U.S. Economy**

- **Loans & Loan Guarantees.** To provide liquidity to eligible businesses for losses directly related to COVID-19 in the form of loans, $208 billion has been allotted to the Secretary for the following:
  - $50 billion in loans and grants for passenger air carriers
  - $8 billion in loans and grants for cargo air carriers
  - $150 billion for other eligible businesses
- **Administrative Rules.** Loan terms, forms and conditions to be published by the Secretary
The Coronavirus CARES Act
Nerre Shuriah, JD, LLM, CEPA™ | SVP, Wealth Planning Director

- **Limitations.** Some rules apply, including
  - Employees earning compensation exceeding $425K may not receive compensation exceeding that received in 2019, may not receive severance pay or other termination benefits which exceeds twice his or her compensation in 2019.
  - The company may not issue a dividend for up to one year after the loan is no longer outstanding.
  - The company must retain 90% of employment levels as of March 24th through September 30th.
  - The loan cannot last longer than 5 years.
- **Continued Service.** Carriers receiving a loan must continue to provide air service.
- **Excise Taxes.** Aviation excise taxes have been suspended, along with the kerosene tax.

### VI. Health Care Response

- **National Academies Report.** National Academies of Sciences, Engineering and Medicine will examine the medical product supply chain, and provide recommendations. The national stockpile will increase by certain items (personal protective equipment, ancillary medical supplies, and other supplies for drugs, vaccines, biological products, medical devices, diagnostic tests, etc.)
- **Shortages.** Provisions are included to mitigate drug shortages and medical device shortages, and provide the emergency use of lab tests.
- **COVID-19 Test Costs.** Tests provided by group or individual health insurance will be provided at no cost. Qualifying COVID-19 prevention services also provided.
- **Health Care Providers Support.** Provisions are included for resources for the detection of COVID-19, hiring of health care professionals, telehealth networks, rural health care services. Limits on liability for volunteer health care workers.
- **Miscellaneous.** Revises other provisions, including those regarding the medical supply chain, the national stockpile, the health care workforce, the Healthy Start program, telehealth services, nutrition services, Medicare, and Medicaid.

### VII. Education

- **Loan Payments.** For students, the law temporarily suspends payments for federal student loans for 6 months through September 30th.
- **Additional Provisions.** Revises provisions related to campus-based aid, supplemental educational-opportunity grants, federal work-study, subsidized loan, Pell grants, and foreign institutions.

### VIII. Government & Agencies

- **State and Local Funding.** $150 billion to state and local governments to address spending shortages related to the COVID-19 pandemic. $8 billion will be set aside for tribal governments.
Oversight. Oversight initiatives are also built into the law, having learned from some of the results of the TARP payouts in the Great Recession. A Treasury Department Special Inspector General for pandemic recovery and a Pandemic Response Accountability Committee have both been created to oversee loans to businesses. Some prohibited actions the Inspector and Committee will look for are:

- Prohibitions against businesses controlled by the president, vice president, members of Congress and heads of executive departments from participating in the loan or investment programs, including children, their spouses and other relatives.
- Ban on stock buybacks for the term of government assistance plus an additional year for any company receiving a government loan from the bill.
- Worker protections have been put in place, including not allowing airline to use the funds for CEO bonuses.

Real ID. The deadline to obtain a REAL ID – federally mandated identification needed to board and aircraft – will be extended to October 1, 2021.