



COVID-19 Stimulus: 3 Phases

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The domino effect of COVID-19 has been circumnavigating the globe and causing unprecedented strain upon the United States' health care and economic systems, not to mention upending the freedoms and everyday lives of individuals and families. In an ongoing effort to combat some of these stressors, the Federal government has enacted a series of ever-increasing stimulus packages that have come in three phases (to date). A summary of each package is provided.

COVID-19 Stimulus – Phase I

On March 6th, the *Coronavirus Preparedness and Response Supplemental Appropriations Act* (Public Law 116-123) was signed. The new measure provided \$8.3 billion in funds to support combatting the disease and its economic effects. More specifically, the law provided for:

- Addition funding for the following agencies:
 - Department of Health and Human Services, or more specifically:
 - Centers for Disease Control and Prevention (CDC),
 - National Institutes of Health (NIH),
 - Public Health and Social Services Emergency Fund to reimburse for COVID-19 preparedness and response activities,
 - HHS may also wait Medicare restrictions regarding telehealth services
 - Department of State for activities such as emergency evacuations,
 - Food and Drug Administration (FDA) for salaries and expenses,
 - Small Business Administration (SBA) for disaster loans programs, and the
 - United States Agency for International Development (USAID).
- An additional \$4 billion was provided to make more COVID-19 tests available.
- \$1 billion in loan subsidies were allotted for small businesses.

COVID-19 Stimulus – Phase II (Click [here](#) for more information on this bill.)

Treasury Secretary Steven Mnuchin and House Speaker Nancy Pelosi entered into bipartisan negotiations to create the *Families First Coronavirus Response Act* (Public Law 116-127) that became final on March 18th. The Joint Committee on Taxation estimated it will cost roughly \$100 billion.

The measure covers three areas where it provides relief:

- Nutrition – additional funds were allotted to maintain access or provide access to nutritious foods through the following programs:
 - WIC – Special Supplemental Nutrition Program for Women Infants and Children
 - TEAFAP - Emergency Food Assistance Program
 - EBT - Electronic Benefit Transfer
 - U.S. Territories – Puerto Rico, American Samoa, Northern Mariana Islands



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- ACL – Senior Nutrition Program in Administration for Community Living
- MEALS – Maintaining Essential Access to Lunch for Students Act
- SNAP – Supplemental Nutrition Assistance Program

- Testing – funding was expanded to cover the costs of COVID-19 testing for the uninsured, private health plans, participants in Medicare and related plans, veterans receiving care from the Department of Veterans Affairs, as well as increasing states access to Medicaid allotments.

- Employment Benefits – funding was provided for a number of actions that would lessen the impact on employees including:
 - Payroll tax credits for paid sick and paid family and medical leave
 - Job-protection leave for up to 12 weeks
 - Unemployment compensation increased resources
 - Tax-credits for self-employed individuals
 - Refundable tax credits for family leave for self-employed individuals
 - States work-sharing programs through the Department of Labor

COVID-19 Stimulus Phase III *(Click [here](#) for more information on this bill.)*

In the wee hours of March 25th the Senate leaders have agreed to a proposal for \$2 trillion of relief called the *Coronavirus Aid, Relief, and Economic Security Act (the CARES Act)*. The House passed it on March 27th, and the President immediately signed it into law. This third phase of the COVID-19 law provides a lifeline for specific industries hard-hit by the economic fallout from the pandemic as well as payments to individual taxpayers similar to the stimulus payments of the Great Recession. The legislation, which is the largest rescue package in U.S. history, is divided into four main beneficiaries:

- 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

A high level summary of some of the more broadly impactful sections of the law follows.

- Individuals & Families –
 - Direct payments to lower and middle-class individuals and families for these amounts:
 - Up to \$1200 for individuals
 - \$2400 for married couples
 - \$500 for children
 - The payments will be made in two rounds on April 6 and May 18.



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- The estimated cost is \$250 billion each.
- Payments will be limited by family size and income (phasing out at \$75,000 of income for individuals and \$150,000 for couples and completely phased out by \$98,000 of income for individuals and \$198,000 for couples).
- Individuals with no income would receive \$600.
- Expanded unemployment insurance for laid-off workers that will cover full pay for 4 months, rather than the usual 3 months. The maximum benefit will rise by \$600 per week. 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.
- Income tax filing deadlines and payment deadlines are moved back to July 15th. Estimated payments are due October 15th.
- The 10% early withdrawal penalty from qualified 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 contributed back to the qualified plan.
- For students, the law temporarily suspends payments for federal student loans; and revises provisions related to campus-based aid, supplemental educational-opportunity grants, federal work-study, subsidized loan, Pell grants, and foreign institutions.
- Some charitable changes include:
 - A limited above-the-line charitable contribution is allowed for up to \$300.
 - Limitations on adjusted gross income for charitable contributions have been relaxed.
- Businesses –
 - \$208 billion dedicated in collateralized loans and guarantees to industries and corporations significantly affected by the COVID-19 pandemic including \$50 billion for the airline industry.
 - \$350 billion in small business loans, for companies with 500 employees or less that keep paychecks steady. They could get up to \$10 million each in forgivable small business loans. Federally guaranteed loans will provide eight weeks of assistance for qualifying employers who maintain payroll. Those who meet requirements would have costs such as utilities, mortgage interest and rent forgiven.
 - \$150 billion to other industries affected, including hotels, casinos, cruise line operators and shopping mall operators.
 - Guaranteed money market mutual funds.
 - Corporations can delay payment of estimated taxes until October 15th
 - Payment of payroll taxes may be delayed and paid over the course of two years, by December 2021 and December 2022.
 - Net operating losses from 2018, 2019, and 2020 can be carried back for five years and it may fully offset income.
 - Temporary increase in the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30-percent limitation to 50 percent of the taxable income for 2019 and 2020.



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- Health Industry –

- Allotments of \$100 billion for the health care system, including funding for hospitals, research, treatment and the Strategic National Stockpile to raise supplies of ventilators, masks and other equipment.
- Additional funding is provided for the prevention, diagnosis, and treatment of COVID-19;
- Limits liability for volunteer health care professionals;
- Prioritizes Food and Drug Administration (FDA) review of certain drugs;
- Allows emergency use of certain diagnostic tests that are not approved by the FDA;
- Expands health-insurance coverage for diagnostic testing and requires coverage for preventative services and vaccines;
- 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.

- Government & Agencies –

- \$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 initiatives are also built into the law, having learn 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, spouses and other relatives.
 - Ban exist 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.

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