

## **Phase III of the Federal Coronavirus Relief Legislation Signed into Law**

By Janette Blee

Phase III of the Coronavirus Relief legislation - the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) has been passed by both the U.S. Senate and House of Representatives and has been signed into law by President Trump today, March 27, 2020. The passage of CARES follows on the heels of enactment of the March 6th Coronavirus Preparedness and Response Supplemental Appropriations Act and the March 18th Families First Coronavirus Response Act, Congress CARES will provide \$2 trillion in economic aid to individuals and businesses impacted by the coronavirus public health emergency. The economic relief package is the largest in history, and provides direct relief to individuals, small businesses, the health care system, state and local governments, and essential industries severely impacted by the current economic downturn.

The key provisions of CARES that will impact businesses and their employees are as follows:

### **Title I - Keeping American Workers Employed and Paid**

- Title I Act of the CARES Act creates Paycheck Protection Program (PPP), through which the Small Business Administration (SBA) will make or guarantee loans of up to \$10 million to eligible entities.
- Entities that are eligible for the PPP include businesses, nonprofit organizations, veterans organizations, or Tribal concerns that employ either less than 500 employees or less than the employee size standard set by the SBA for the borrower's particular industry. Sole-proprietors, independent contractors, and other self-employed individuals are specifically included in the list of eligible employees.
- The PPP is designed to permit additional lenders to participate, to simplify eligibility standards, to expedite approvals, and to eliminate collateral and credit requirements.
- The PPP loan may be used to cover items such as payroll support, insurance premiums, mortgage premiums, and other specified debt obligations.
- Loan amounts spent on payroll costs, mortgage interest, rent, or utilities during the 8-week period following the origination date of the loan may be forgiven, but the forgiveness amount is reduced if the borrower reduces the number of employees or salaries by a certain amount as compared to the previous year.
- Guidelines are established for the repayment terms of funds not used for purposes that would result in forgiveness of the loan.
- In an effort to encourage bringing employees who have already been laid off back to work, this program would be retroactive to February 15, 2020.

### **Title II - Assistance for American Works, Families, and Businesses**

- Title II of CARES creates a temporary Pandemic Unemployment Assistance (PUA) Program to provide payments to those not normally eligible for unemployment assistance (self-employed, independent contractors, etc.) who are unable work because of COVID-19.
- To supplement current unemployment compensation programs, the PUA provides an additional \$600 per week in unemployment benefits for up to four months and also provides pay during any applicable waiting periods under state law.
- The PUA would expire on December 31, 2020.
- Title II also provides a series of tax and financial relief provisions for businesses. These provisions include an employee retention credit of 50% on up to \$10,000 of wages paid by employers experiencing a closure (whose employees are furloughed) or significant decline in gross receipts due to COVID-19, deferments of Social Security tax payments, expanded ability to use Net Operating Losses, and additional deductions and write-offs that businesses may claim on their 2020 tax returns.

### **Other Provisions**

In addition to the above, CARES provides relief to individuals in the form of direct tax rebates. CARES also waives early withdrawal penalties for certain distributions from qualified retirement accounts, waives minimum distribution rules for defined plans and IRAs for 2020, makes modifications regarding charitable giving deductions, and permits employers to pay portions of an employee's student loans tax-free. Finally, Title III of the CARES Act focuses on supporting and providing relief for the health care system, students and workers impacted by COVID-19, and expanding telehealth services.