



SENATOR BILL CASSIDY, M.D.
H.R. 748
CORONAVIRUS AID, RELIEF,
AND ECONOMIC SECURITY ACT



This document provides a high-level summary of the individual, workforce, small business, revenue, and education provisions contained within H.R. 748, which passed the Senate on Wednesday, March 25th. The full legislative text of the CARES Act will be posted on Congress.gov and will be accessible by searching H.R. 748.

Individual

Money for Americans Now. This comes in the form of a one-time direct deposit or check of \$1,200 per individual and \$500 per child. All Americans, include those with no income, are eligible. However, for higher income earners, starting at \$75,000 for individuals, \$112,500 for head of household, and \$150,000 for married couples, the amount of the direct deposit or check is phased out by \$5 for each \$100 exceeding the phase-out threshold. This rebate gradually drops to zero for incomes exceeding \$99,000 per year for individuals, \$146,500 for head of household filers, and \$198,000 for joint filers.

Loosens Rules on Retirement Accounts. Older Americans that are subject to mandatory minimum distributions from their retirement accounts would be able to keep their capital invested instead of being forced to cash out to draw on that capital without penalty, which would be suspended for 2020. Similarly, the CARES Act also waives the 10% penalty on coronavirus-related early distributions from 401(k)s and IRAs, which applies to distributions made at any time during 2020.

Workforce

Unemployment Benefits for More Americans. The CARES Act will make sure self-employed and independent contractors like Uber drivers and gig workers can receive unemployment. It also ensures state and local governments and non-profits can pay unemployment to their employees.

More Money for a Longer Period for More Workers. It also makes benefits more generous by adding \$600 per week on top of what the state normally pays in unemployment and provides an additional 13 weeks of benefits.

Small Business

Employers can utilize the Payroll Protection Program with Loan Forgiveness, or they can utilize the Employee Retention Refundable Payroll Tax Credit, but they cannot utilize both benefits. The eligibility criteria differ. Employers eligible for both are encouraged to explore which makes the most sense for their respective facts and circumstances.

The Payroll Protection Program (PPP) with Loan Forgiveness. The U.S. Small Business Administration is authorized to provide a new category of 7(a) loans to small businesses, self-employed individuals, and gig-workers. These loans of up to \$10 million are 100% federally guaranteed with zero-fees.

Forgiveness: Up to 8 weeks of average payroll and other costs are eligible for forgiveness if the business retains (or rehires) its employees and maintains their pay levels.

Loan Amount: The maximum size of these loans will be \$10 million; however, the size of these loans will be subject to a formula that is the equivalent of 250% of an employer's average monthly payroll.

Access to Loans: Loans will be available immediately through existing SBA-certified lenders. Many additional lenders will be brought into the program over the next few weeks.

Other Terms: Principal and interest is deferred for up to a year. Any loan amount not forgiven will have a loan term of not more than ten years, with a maximum interest rate of 4%.

See Section 1102 and Section 1106 of the CARES Act for more detail.

Employee Retention Credit – This is an optional refundable employer payroll tax credit of 50% of wages on the first \$10k of wages per employee. Eligible wages are those incurred March 13th through end of the year. Large businesses only qualify if they had to shut down, subject to a government order. Small businesses qualify if: 1) they had to close subject to a government shutdown order; or 2) their gross receipts dropped by 50% from the same period in 2019.

Intersection with paid leave. If the employer is paying sick or family leave under H.R. 6201, the employer doesn't get to take the same wages into account for the purposes of this credit

Health Coverage Plus-up. Employers can add a pro rata share of health expenses in addition to wages. Further guidance will be forthcoming from Treasury on how to make the calculation.

See Section 2301 of the CARES Act for more detail.

Economic Injury Disaster Loans (EIDLs). The CARES Act establishes an emergency grant to allow small business and nonprofits that apply for an EIDL loan to request an advance on that loan, of up to \$10,000, which the SBA must distribute within 3 days. These loans of up to \$2 million include principal and interest deferment for up to 4 years. See Section 1110 of the CARES Act for more detail.

Debt Relief for Existing and New SBA Borrowers. For small businesses with a standard SBA 7(a), 504, or microloan, SBA will cover all loan payments, including principal, interest, and fees, for six months. This relief is likewise available for new borrowers who take out an SBA loan within six months after the President signs the CARES Act into law. These borrowers can apply for PPP loans, but the six months of relief may not be applied to payments for PPP loans.

Delays Payroll Tax Payments for Employers. Employers will be able to delay the payment of their 2020 payroll taxes until 2021 and 2022, leading to approximately \$300 billion of extra cash flow for businesses.

Restores Supports for Businesses Suffering Losses. The CARES Act also allows businesses to carry back losses from 2018, 2019, and 2020 to the previous 5 years, which will allow businesses access to immediate tax refunds.

Encourages Businesses to Invest in Improvements. The CARES Act fixes cost recovery for investments in Qualified Improvement Properties, which will allow businesses to immediately expense these investments.

Increases Allowable Amount of Business Interest Deduction. Increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30% limitation to 50% of the taxable income for 2019 and 2020.

Entrepreneurial Assistance. The CARES Act provides \$240 million in grants to SBA resource partners to enable them to offer counseling, training and related technical assistance to small businesses affected by COVID-19.

Education

Relief for Student Loan Borrowers. For individuals with student loan debt, the CARES Act allows borrowers to freeze their payments for up to 6 months. Borrowers struggling to repay their debt due to the Coronavirus will not need to worry about accruing interest, falling behind on their payments, or defaulting as a result.

Equal Tax Treatment for Employer Provided Education Benefits. Through the end of 2020, this provision temporarily amends the tax code. It broadens the tax free treatment of up to \$5,200 of employer provided educational assistance, to likewise capture employer provided student loan repayments.

Relief for Students Affected by COVID-19. COVID-19 interrupted the education for millions of students. The CARES Act makes sure that those students who struggle with the transition - for any reason - are not adversely affected by losing eligibility for federal financial aid, such as the Pell Grant or student loans. Additionally, for students who drop out due to COVID-19, they will not be required to pay back any federal financial aid.

Flexible Use of Funds to Help Students. The CARES Act provides colleges and universities flexibility to use Campus-Based Aid funding and Supplemental Educational Opportunity Grants (SEOG) to assist students impacted by COVID-19, while also allowing institutions to pay students for work-study even if they are unable to work.

Emergency Waivers for Testing, Other K-12 Accountability. Due to the disruption in K-12 education, the CARES Act gives the Secretary of Education the authority to grant states and school districts emergency waivers for testing requirements and other federal accountability measures.

Assistance for Colleges and Universities. \$14.2 billion is provided in up-front aid for colleges and universities to assist students with the transition to distance learning and cover other costs associated with COVID-19.

Funding to Bridge Digital Divide for Students. \$13.5 billion is provided to states and school districts to assist students and their families acquire the resources necessary to continue learning throughout the duration of the national emergency. Funding is also allowed to be used at private K-12 schools.

State Funding Flexibility. An additional \$3 billion is provided to states to use as needed to assist schools, students, and families in the continuation of learning throughout the duration of the national emergency.