Summary: The Coronavirus Aid, Relief, and Economic Security (CARES) Act

On March 27, 2020 the President signed a massive economic relief package in response to the coronavirus pandemic. The Coronavirus Aid, Relief, and Economic Security (CARES) Act – H.R. 748, has an estimated cost of around $2 trillion and includes support for businesses, workers, and Americans furloughed or laid off as a result of the ongoing COVID-19 crisis. The bill was the product of intense negotiations between Senate Democrats and Republicans, Speaker of the House Nancy Pelosi, and White House officials.

This is the third in a series of bills recently passed by Congress to address the worsening COVID-19 situation and its effect on American businesses, families, and the U.S. healthcare system. Congressional leaders have promised to take up additional legislation next month as additional needs are identified.

Support for Small Businesses:

- Creates a new $349 billion "paycheck protection loan program" administrated by the Small Business Administration (SBA) for small businesses. Loans will be available to help cover certain expenses for the period from February 15 through June 30, 2020, up to 2.5 times average monthly payroll, to a maximum of $10 million. Loans are guaranteed at 100% through December 31, 2020 and at 85% thereafter for loans greater than $150,000. Loan forgiveness is provided through a process that incentivizes companies to retain employees on their payroll. The loans are good for up to 10 years and limited to a 4% interest rate. SBA fees are waived.

- Expands access to Economic Injury Disaster Loans (EIDLs) to small businesses, including sole proprietors, independent contractors, and employee stock ownership plans (ESOPs). EIDLs are fast-track loans provided directly from the U.S. Treasury rather than banks. No personal guarantee is now required on loans of less than $200,000 taken before December 31, 2020, which are for reasons "other than payroll costs."

- Includes $10 billion for new Emergency Grants that will offer an immediate advance of up to $10,000 in payroll support for businesses that have applied for EIDLs. These grants will be paid out within three days and are not subject to repayment, even if the EIDL application is rejected and the loan denied.

- Another $17 billion is provided to pay the principal, interest, and fees on existing federally guaranteed small business loans for a period of six months.
Middle Market Loans

- The Treasury Secretary “will endeavor to seek the implementation” of a Middle Market loan facility for banks to provide loans to businesses with 500-10,000 employees.
  - Interest rate will be no more than 2% with no principle or interest paid for the first 6 months.
  - Funds must be used to retain 90% of workforce at full wages and benefits through September 30, 2020 and intends to restore 90% of workforce on hand on February 1, 2020.
  - No buybacks or dividend payments through the life of the loan.
  - No outsourcing or offshoring of jobs for the life of the loan and 2 years thereafter.
  - Recipient will not abrogate collective bargaining for term of the loan and two years.
  - Will also remain neutral in union organizing activities

Other Business-Related Relief Measures:

- A new "Employee Retention Credit" may be taken against employment taxes for businesses that retain and pay their employees during any quarter when operations are partially or fully suspended due to the pandemic. Employers with gross receipts that are less than 50% of their gross receipts for the same quarter in the prior year are also eligible, until their gross receipts exceed 80% of their gross receipts for the same calendar quarter in the prior year. The credit is equal to 50% of qualified wages (up to $10,000 in wages) for each employee.

- Provides advance funding on the payroll tax credit to offset the cost of providing new paid sick and family medical leave mandated under the previous coronavirus bill, the Families First Coronavirus Response Act.

- Delays payment of 50% of payroll taxes for 2020 until December 31, 2021. The remaining 50% would be due December 31, 2020

- Includes several other beneficial tax provisions, including the temporary modification for net operating loss deductions; repeal of the excess loss limitation; modification of limitation on business interest; and the acceleration of the corporate AMT credit under the 2017 tax reform law