

BUSINESS & INDIVIDUAL RESOURCES

The **Coronavirus Aid, Relief, and Economic Security (CARES) Act** is intended to provide liquidity to business owners during this uncertain time. When implemented, many new resources will be available to small businesses, as well as certain non-profits and other employers.

Note: Department of Treasury, Small Business Administration, and Internal Revenue Service guidance on how these programs will be administered has not been released yet. Guidance will be released within 10 days of the bill being signed into law, which occurred on March 27.

Individual Relief:

Unemployment Insurance

- The **Pandemic Unemployment Assistance** program provides payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency.
- Includes an **additional \$600 per week** payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months and an additional 13 weeks of unemployment benefits to those who need it.
- Provides funding to support “**short-time compensation**” programs, where employers reduce employee hours instead of laying off workers and employees with reduced hours receive a pro-rated unemployment benefit. The federal government will pay 100% of costs states incur in providing this short-time compensation until **December 31, 2020**.
- Full federal funding of the first week of compensable regular Unemployment for States with no “waiting week”, so workers can claim UI immediately.

Recovery Rebate: All U.S. residents with adjusted gross income under \$75,000 (\$112,500 for head of household and \$150,000 married), who are not the dependent of another taxpayer and have a work-eligible Social Security Number, are eligible for the full \$1,200 (\$2,400 married) rebate. They are also eligible for an additional \$500 per child.

- **What about taxpayers with adjusted gross income over \$75,000 (\$112,500 for head of household and \$150,000 married)? Are they eligible to receive any rebate?** The rebate amount is reduced by \$5 for each \$100 that a taxpayer’s income exceeds the phase-out threshold. The amount is completely phased-out for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children. For a typical family of four, the amount is completely phased out for those with adjusted gross incomes exceeding \$218,000.

- **What if my income was above the threshold in 2019, but I've lost my job due to the coronavirus? Can I still get a rebate check?** If your income in 2019 was in the phase-out range you would still receive a partial rebate based on your 2019 tax return. However, the rebate is actually an advance on a tax credit that you may claim on your 2020 tax return. If your income is lower in 2020 than in 2019, any additional credit you are eligible for will be refunded or reduce your tax liability when you file your 2020 tax return next year. Additionally, you may be eligible for unemployment insurance (see above section).
- **Is the rebate taxable or will I have to pay back any amount if the rebate based on my 2019 return is larger than what it would be if based on my 2020 tax year return?** No, the rebate is treated like other refundable tax credits, such as the child tax credit and earned income tax credit, and not considered income. Moreover, if the credit amount you qualify based on 2020 income is less than what you qualify for based on your 2019 tax return, it does not have to be paid back.
- **Who qualifies as a child for purposes of the rebate?** Any child who is a qualifying child for the purposes of the Child Tax Credit is also a qualifying child for the purposes of the recovery rebate. In general, a child is any dependent of a taxpayer under age of 17.
 - **Do dependents, other than children under 17, qualify a taxpayer for an additional \$500 per dependent?** No, the additional \$500 per child is limited to children under 17.
 - **Are college students eligible for a recovery rebate?** Only if they are not considered a dependent of their parents. Generally, a full-time college student under the age of 24 is considered a dependent if their parent(s) provide more than half of their support.
- **Are individuals with little to no income or those on means-tested federal benefits, such as SSI, eligible for a recovery rebate?** Yes, there is no qualifying income requirement. Even individuals with \$0 of income are eligible for a rebate so long as they are not the dependent of another taxpayer and have a work-eligible SSN.
- **Are seniors whose only income is from Social Security or a veteran whose only income is a veterans' disability payment eligible?** Yes, as long as they are not the dependent of another taxpayer. The bill also provides IRS with additional tools to locate and provide rebates to low-income seniors who normally do not file a tax return by allowing them to base a rebate on Form SSA-1099, Social Security Benefit Statement or Form RRB-1099, which is the equivalent of the Social Security statement for Railroad Employees. However, seniors are still encouraged to file their 2019 tax return to ensure they receive their recovery rebate as quickly as possible.

- **I am eligible for a rebate, what do I have to do to receive it?** For the vast majority of Americans, no action on their part will be required to receive a rebate check since the IRS will use a taxpayer's 2019 tax return if filed or their 2018 return if they haven't filed their 2019 return. This includes many individuals with very low income who file a tax return despite not owing any tax in order to take advantage of the refundable Earned Income Tax Credit and Child Tax Credit.
- **What should I do if I did not file a tax return for 2019 or 2018?** The best way to ensure you receive a recovery rebate is to file a 2019 tax return if you have not already done so. This could be accomplished for free online from home using the IRS Free file program (<https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>). The bill also instructs the IRS to engage in a public campaign to alert all individuals of their eligibility for the rebate and how to receive it if they have not filed either a 2019 or 2018 tax return.

Retirement Accounts

- 10% early withdrawal penalty is waived for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes.
- The required minimum distribution rules for certain defined contribution plans and IRAs is waived for 2020.

Tax Relief

- The deadlines to file and pay federal income taxes are extended to July 15, 2020. *The IRS announced this delay on March 21.*
- An above the line charitable contribution deduction up to \$300 is allowed in 2020. Additionally, the limitation on charitable contribution deductions for taxpayers who itemize deductions is increased to 50% of adjusted gross income in 2020.
- Employees can receive up to \$5,250 of student loan repayment benefits from their employer tax-free in 2020.

Business Relief:

Small Business Paycheck Protection Program (PPP): Loans of up to \$10 million will be available, with an overall authorization level of \$349B, to provide capital to cover the costs of retaining employees. Effective **February 15, 2020.**

- **What are the qualifications?** The PPP will be conducted as part of the SBA 7(a) Loan program. The PPP also includes 501(c)(3) nonprofits, 501(c)(19) veteran organizations, tribal businesses described in section 31(b)(2)(C) of the Small Business Act, sole-proprietors, independent contractors, and other self-employed individuals.
- **Where can a small business apply for the Paycheck Protection Program?** Small businesses can apply for the PPP at any lending institution that is approved to participate in the program through the existing SBA 7(a) lending program and additional

lenders approved by the Department of Treasury.

- This could be the bank a small business already uses, or a nearby bank. There are thousands of banks that already participate in the SBA's lending programs, including numerous community banks.
 - Small businesses do not have to visit any government institution to apply for the program.
 - While waiting on final guidance, small businesses can call their bank or find SBA-approved lenders in your area through SBA's online [Lender Match](#) tool.
 - Small businesses can also call their local [Small Business Development Center](#) or [Women's Business Center](#) and they will provide free assistance and guide businesses to lenders.
- **Loans:** The amount any small business is eligible to borrow is 250 percent of their average monthly payroll expenses, up to a total of \$10 million. Loans can be used for payroll support, paid leave, insurance costs, mortgage/rent payments, and utility payments. They do not have borrower, lender, or prepayment fees and are 100% government guaranteed. Repayment may be deferred for up to one year.
 - **Forgiveness:** All PPP Loans are eligible for forgiveness in an amount equal to the payroll cost and costs related to debt obligations.
 - **Deadline:** Eligible applicants can apply for a PPP loan until **June 30, 2020**.
 - **If a small business has applied for, or received an Economic Injury Disaster Loan (EIDL) related to COVID-19 before the Paycheck Protection Program became available, will they be able to refinance into a PPP loan?** Yes. If a small business received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, the business would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, the business may not take out an EIDL and a PPP for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. If the business took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.

Small Business Economic Injury Disaster Loans (EIDL): Eligibility to the EIDL program is expanded to tribal businesses, cooperatives, and ESOPs with fewer than 500 employees or any individual operating as a sole proprietor or an independent contractor.

General Business Financing: \$500 Billion to the Department of Treasury's Exchange Stabilization Fund (ESF), including a 13(3) facility to provide targeted support to nonprofits and businesses between 500 and 10,000 employees.

- \$454 billion for unforgivable secured loans through the Federal Reserve 13(3) authority to larger businesses, states, and municipalities.
- Funds lent to nonprofits and businesses between 500 and 10,000 employees must be used to retain at least 90 percent of the recipient's workforce, among other requirements.

Amendments to Employee Mandates: The *CARES Act* placed caps on paid leave provisions within the *Families First Coronavirus Response Act*.

- An employer is not required to pay more than \$200 per day and \$10,000 in the aggregate for each employee on paid FMLA and is not required to pay more than \$511 per day and \$5,110 in the aggregate for sick leave or more than \$200 per day and \$2,000 in the aggregate to care for a quarantined individual or child.

Tax Relief

- Employee retention credit (50% of wages paid) for employers subject to closure during the coronavirus outbreak.
- Employer payroll tax payments are deferred. ½ of payment is due December 31, 2021 and the other ½ is due December 31, 2021.
- 2018, 2019, and 2020 net operating losses can be carried back 5 years.
- Loss limitations for pass-through entities and sole proprietors are modified.
- Recovery of AMT credits is accelerated-allowing companies to claim AMT refundable credits now.
- Business interest expense deduction is increased from 30% to 50% for 2019 and 2020.
- Technical correction to Qualified Improvement Property depreciation, which allows businesses, especially in the hospitality industry, to immediately write off costs associated with improving facilities instead of having to depreciate those improvements over the 39-year life of the building.
- Alcohol used to produce hand sanitizer is exempted from excise taxes in 2020.
- Employers are able to receive an advance tax credit from Treasury for required paid sick and family leave, instead of having to be reimbursed on the back end.

Local Government Relief:

\$150 billion to the U.S states and territories for direct payments to local governments for expenditures incurred due to the COVID 19 public health crisis.

- A minimum of \$1.25 billion will be provided to each state. Georgia is expected to be eligible for up to ~\$4 billion in federal assistance for its efforts to combat COVID-19.

Families First Coronavirus Response Act (FFCRA):

- **Free Coronavirus Testing:** Requires full coverage by private health plans, Medicare Advantage, Medicare, Medicaid, CHIP, and TRICARE for coronavirus testing and related visits. Additionally, state expenses for the uninsured would be covered through Medicaid.
- **Food Assistance:** Provides additional funding for nutrition programs, such as WIC, SNAP, emergency food assistance, home delivery services, and assistance to seniors.
- **Health Services:** Provides additional funding for health items and services to shore up deficiencies within our military, veterans, and Native American health care systems.
- **Employee Assistance:** Provides workers with up to 2 weeks of job-protected leave during the coronavirus outbreak.
 - First 2 weeks of leave cover **full pay** for employees who are sick, quarantined, under isolation order, or caring for child with closed school or sick relative (*capped at \$511/day and \$5,110 total for sick or in forced quarantine; \$200/day and \$2,000 total*).
 - For working parents, they are eligible for another 10 weeks to cover potential school closures due to the coronavirus outbreak. They will be paid at least 2/3rds of present salary (*capped at \$200/day and \$10,000 in aggregate*).
 - Businesses over 500 workers are exempt and Department of Labor can issue hardship rule that exempt businesses under 50 employees.
 - Establishes payroll tax credit to refund businesses for emergency leave paid to employees.
 - ***The Department of Labor released the below information on the employee assistance provided in the FFCRA:***
 - **Q&A:** <https://www.dol.gov/agencies/whd/pandemic/ffcra-questions>
 - **Employee Rights:** <https://www.dol.gov/agencies/whd/pandemic/ffcra-employee-paid-leave>
 - **Employer Requirements:** <https://www.dol.gov/agencies/whd/pandemic/ffcra-employer-paid-leave>