

# **USW summary of the CARES Act (H.R. 748)**

Coronavirus Aid, Relief, and Economic Security Act, signed into law on Friday,  
March 28, 2020

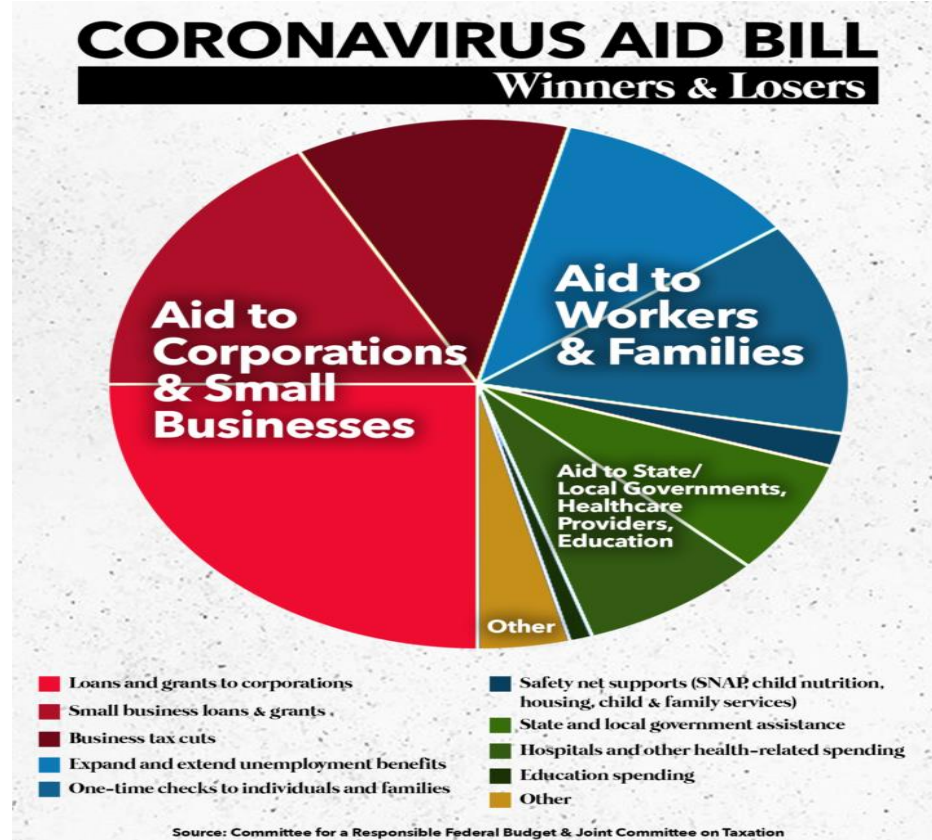
This presentation is current as of March 31, 2020  
(some federal agency guidance has not yet been written or updated)

# Political Context for the CARES Act

- Congress had already passed 2 packages for immediate COVID-19 relief. This was the third and fiscally largest package – totaling over \$2 trillion.
- Leader McConnell and Senate Republicans wrote the initial bill. Leader Schumer and the Dems held out for nearly a week and won some important worker-friendly language.
- House Democrats were mostly kept out of the process, but they introduced their own version of a 3<sup>rd</sup> package. Some elements may be included in the 4<sup>th</sup> coronavirus package.
- Many of the elements of the bill will be carried out by federal agencies. These agencies are continuing to work on guidance for implementation to define terms and processes left undefined by the statute.

# Overview of the CARES Act

- Individual worker assistance
- Assistance for small businesses
- Assistance for large corporations
- Assistance for healthcare facilities
- State and local governments
- Other

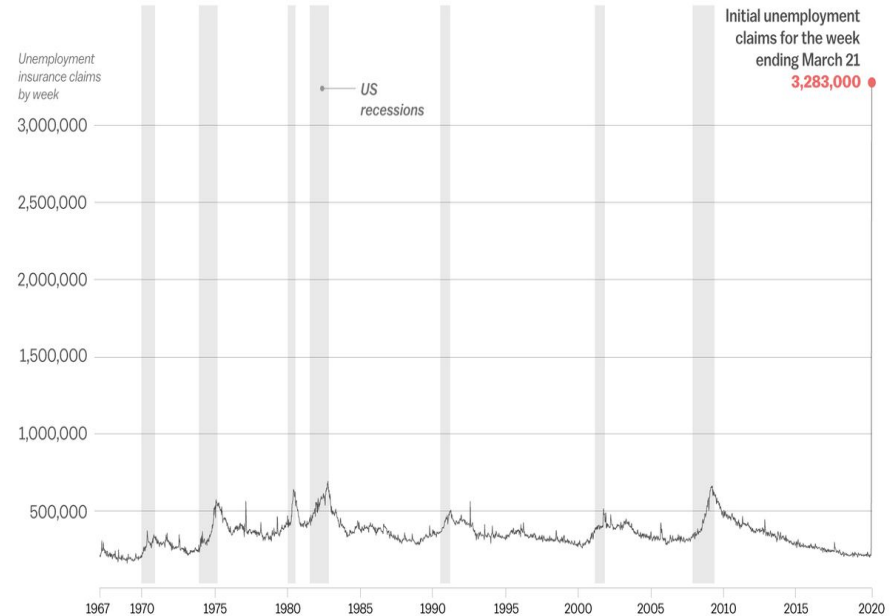


# ASSISTANCE FOR WORKERS:

## Expanded Unemployment Insurance Benefits

- An additional \$600 for every week of unemployment for every worker, on top of state benefit levels, for up to four months, ending July 31, 2020.
- An additional 13 weeks of federally funded benefits for those who exhaust their regular state benefits.
- Unemployment benefits extended to part-time, self-employed, gig economy workers, and those not traditionally covered by unemployment benefits.
- Available to those newly eligible for unemployment benefits starting on 1/27/2020 and ending 12/31/2020.
- Temporary full federal funding for the first week of benefits for states that eliminate the waiting week before workers can collect benefits.

An unprecedented rise in unemployment



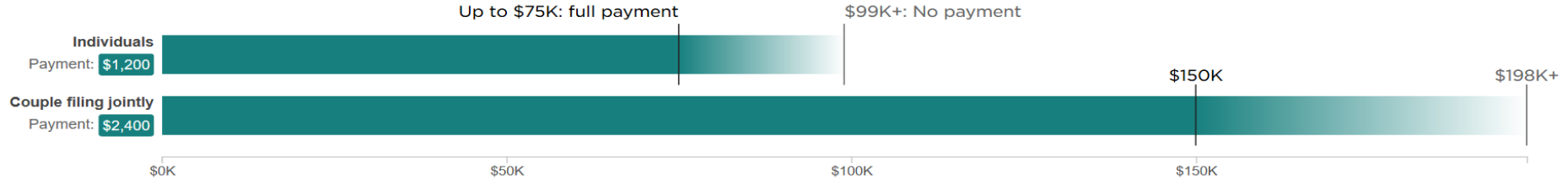
Source: US Employment and Training Administration

# ASSISTANCE FOR WORKERS:

## Stimulus Payments for Working Americans

### Who's Getting Checks, By Adjusted Gross Income

Add an additional **\$500** for each child, which would also increase eligibility limits depending on the number of children.



Source: Senate version of bill H.R. 748

Credit: Sean McMinin/NPR

- Direct rebate payment of up to \$1,200 for most individuals and \$2,400 for most married couples filing jointly with an extra \$500 for each child under 17.
- Individuals with an adjusted gross income of more than \$75,000 and under \$99,000 and couples with an adjusted gross income of more than \$150,000 and under \$198,000 will receive checks on a sliding scale with adjustments depending on the number of children. Payments will be reduced \$5 for each \$100 in income that exceeds the \$75,000/\$150,000 phase-out limit.
- The IRS will use financial information on workers' most recent tax return (2019 or 2018) for calculations and payment information with the first checks expected to be deposited the week of April 6, 2020. This is a tax credit for the 2020 tax year.

## ASSISTANCE FOR WORKERS:

### Student Loan Debt Relief

- For the next 6 months (ending September 30, 2020), payments on federal student loans will be automatically suspended. Most direct federal loans issued in the last 10 years and held by the federal government should qualify.
- Interest will not accrue on these loans during this time.
- All 6 months of suspension will count as monthly payments for both loan forgiveness and loan-rehabilitation thresholds.
- Through the end of 2020, employers can contribute up to \$5,250 in student loan repayment benefits without it being considered income for tax purposes.





## **ASSISTANCE FOR WORKERS:** **Funds for PPE and other Front-Line Worker Provisions**

- Supply of personal protective equipment for providers, ventilators, and other medical supplies needed in the fight against COVID-19.
  - \$16 billion for the Strategic National Stockpile to procure PPE
  - \$1 billion for the Defense Production Act to support production of personal protective equipment, ventilators, and other medical supplies needed in the fight against COVID-19.
- Directs the National Academies to produce a report on domestic medical supply chain security including potential public health/national security risks from the country's reliance on foreign suppliers for critical drugs and devices.
- \$3.5 billion in funding for Child Care and Development Block Grants to help provide childcare assistance to essential workers during the pandemic.

# ASSISTANCE FOR EMPLOYERS

## Employee Retention Tax Credit

- The bill establishes a fully refundable tax credit for businesses that are closed or distressed to help them keep workers on the payroll. The credit is for wages paid to employees when they are not providing services because of the coronavirus.
- Small businesses are eligible if they have been fully or partially suspended by government order, or they experience a 50% reduction in quarterly receipts as a result of the crisis. For employers with 100 or fewer full-time employees, they may claim a credit for wages paid to all of their employees (whether employees are working or not). Note: Not available if an employer takes a SBA PPP loan.
  - **NOTE: This is also available to tax exempt 501(c) organizations, so local unions with employees may qualify for this credit**
- For employers with more than 100 employees, they may claim a credit for those employees who are furloughed or face reduced hours. The credit covers to 50 percent of payroll on the first \$10,000 of compensation, including health benefits, for each employee.



# **ASSISTANCE FOR EMPLOYERS**

## **Payroll Tax Delay**

- Most employers can delay paying the employer-portion of payroll taxes through the end of 2020.
- The deferred amount is due in two installments – 50% is due before December 31, 2021, and the other 50% is due before December 31, 2022.
- Note: Payroll tax delay is not available if an employer takes a SBA Loan for payroll

## **Delay for Single Employer Pension Plans**

- Single employer pension plans are allowed to delay quarterly contributions for 2020 until the end of the year. Employers may also use 2019 funded status for the purposes of determining funding-based limits on plan benefits for the plan years that include 2020.

## **Other Business Tax Relief**

- Loosening requirements for net operating losses, and limitations on business interest deductions.
- Distillers are exempt from excise taxes on undenatured alcohol for the purpose of producing hand sanitizer.

## ASSISTANCE FOR SMALL BUSINESSES

- Small businesses are defined as businesses with 500 or fewer employees for purposes of loans and grants.
- \$349 billion for the SBA's 7(a) loan program through Dec. 31, 2020.
- \$10 Billion for emergency grants while loans process.
- Increases the government guarantee of SBA loans to 100% through Dec. 31, 2020.
- Increases the maximum loan for an SBA Express loan from \$350,000 to \$1 million.



# ASSISTANCE FOR SMALL BUSINESSES

## SBA Paycheck Protection Program (PPP)

- Zero-fee loans of up to \$10 million to cover payroll and other operating expenses.
- Up to 8 weeks of payroll, mortgage interest, rent, and utilities can be forgiven.
- Payments on principal and interest are deferred for one year.

## SBA Economic Injury Disaster Loans

- Emergency grant up to \$10,000 for small businesses that apply for an SBA economic injury disaster loan (EIDL).
- EIDLs are loans up to \$2 million to pay for expenses that could have been met had the disaster not happened, including payroll and other operating expenses.
- A small business may apply for an EIDL grant and a Paycheck Protection loan. The EIDL grant will be subtracted from the amount of the Paycheck Protection loan that is forgivable.

### Paycheck Protection Program (PPP)

- Payroll Expenses  
- Employee Salaries  
- Mortgage Interest  
- Rent and Utilities  
- Interest on debt incurred before 2.15.20



USES

- Payroll  
- Fixed Debts  
- Accounts Payable  
- Other expenses that can't be paid because of the disaster's impact

**2.5X** business's average monthly payroll



AMOUNT

up to **\$2 million**

fixed  
**4%**

Annual Percentage Rate



RATE

**3.75%**

Annual Percentage Rate

no payments for first  
**6-12 months**  
then a 10-year term



TERMS

up to **30 years**

up to **100%** with approval



FORGIVENESS

**0%** is eligible for forgiveness

**Cautionary Note: There have historical periods of difficulty acquiring SBA loans and the SBA is not currently ready to process the new loans yet.**

# **ASSISTANCE FOR SMALL BUSINESSES**

## **Debt Relief for SBA Borrowers**

- For small businesses that already have an SBA loan (such as a 7(a), 504, or microloan) or take one out within 6 months after the CARES Act is enacted. Borrowers may seek a further extension.
- SBA will pay all loan costs for borrowers, including principal, interest, and fees, for six-months.

## **Small Business Government Contractor Relief**

- Agencies will be able to modify terms and conditions of a contract and to reimburse contractors at a billing rate of up to 40 hours per week of any paid leave (including sick leave).

# **ASSISTANCE FOR LARGE EMPLOYERS**

- Large employers are defined as businesses with more than 500 employees.
- \$500 Billion in loans are available.
- \$29 Billion for airlines/aerospace industries.
- Assistance is conditioned on certain assurances to protect workers.



# **ASSISTANCE FOR LARGE EMPLOYERS**

## **Conditions on Assistance**

- The loan program for large employers (500 to 10,000 employees) will be distributed via the Treasury Department.
- Any company receiving a loan:
  - Is barred from making stock buybacks for the term of the loan plus one year;
  - Is barred from raising the pay of certain executives;
  - Is prohibited from outsourcing jobs for the term of the loan and for two years following repayment completion.
  - Cannot terminate existing collective bargaining agreements for the term of the loan and for two years following repayment completion.
  - Must remain neutral in any union organizing effort during the term of the loan.
- All loans, their terms and any investments or other assistance provided by the government must be publicly disclosed.

# **ASSISTANCE FOR LARGE EMPLOYERS**

## **Oversight for Loan Programs**

- The bill creates a special inspector general to oversee pandemic recovery.
- A Select Committee will provide congressional oversight of all loans and other uses of taxpayer dollars.
- The president, vice president, members of the Cabinet and members of Congress are barred from benefiting from the money carved out for large employers.

**Note: The Trump Administration has indicated they will not comply with the appointment of an inspector general.**

# ASSISTANCE FOR LARGE EMPLOYERS

## Airlines/Aerospace

- \$58 billion is allocated to help airlines stay open.
- \$25 billion for passenger air carriers.
- \$4 billion for cargo air carriers, and up to \$3 billion for airline contractors.
- \$17 billion for businesses “critical to maintaining national security.” (While no specific company is named, people familiar with the negotiations say it is meant for Boeing.)





## **ASSISTANCE FOR HEALTHCARE FACILITIES:**

- \$100 billion to reimburse healthcare facilities for expenses or lost revenue associated with COVID-19. The bill does not restrict uses for this funding.
- \$27 billion for the Public Health and Social Services Emergency Fund for COVID-19 preparation and response. This includes developing and purchasing vaccines and diagnostics, addressing medical surge capacity, and PPE. Up to \$250 million may be used for grants under the Hospital Preparedness Program.
- A 20% increase in Medicare payments to hospitals to treat Medicare patients with COVID-19 and accelerated Medicare payments for facilities by request.
- Temporarily suspends the 2% sequestration-mandated reductions to Medicare through December 31, 2020 which will effectively increase Medicare payments to providers.
- \$1.32 billion in additional funding for the treatment, detection and diagnosis of COVID-19 in community health centers.

# **ASSISTANCE FOR STATE AND LOCAL GOVERNMENTS**

- Creates a \$150 billion relief fund for state, local and tribal governments, but this money can be used only for unbudgeted COVID-19 response and not to make up for falling tax revenues. [See estimated state allocations](#) (from NCSL).
- \$30 billion in an education stabilization fund to support school systems, K-12 and higher education can apply for funding
- \$45 billion in disaster relief funds for immediate needs to protect citizens (granted via FEMA), plus \$1.4 billion for National Guard deployments for the next 6 months.
- \$4.3 billion for federal, state, and local public health agencies to prevent, prepare for, and respond to the coronavirus.
- Extension of the REAL ID requirements to October 1, 2021.
- \$25 billion for transit systems that will be distributed through existing programs using 2020 apportionment formulas

## **OTHER AREAS OF ASSISTANCE**

- AMTRAK - \$1.02 billion for Amtrak to cover revenue losses due to COVID-19 and ensure Amtrak continues to operate.
- ELECTION SECURITY - \$400 million in grants to states to increase voting by mail, early voting, online registration, and the safety of in-person voting by the states for the 2020 election.
- TRIBAL GOVERNMENTS - \$2 billion for tribal governments including:
  - \$1.03 billion for Indian Health Service to support tribal health care system
  - An additional \$100 million for the USDA Food Distribution Program
  - \$69 million for the Bureau of Indian Education
  - An additional \$300 million for the HUD Indian Tribal Block Grant program.

# WHAT'S MISSING FROM THE CARES ACT?

- Requirement that OSHA develop an emergency temporary standard to protect frontline workers from COVID-19.
- Expansion of paid leave provisions from the *Families First Coronavirus Relief Act*, which exempted healthcare workers, first responders, and large employers.
- Provisions to significantly boost the supply of PPE for frontline workers, like the use of the Defense Production Act (DPA).
- Assistance for vulnerable pension plans.
- Assistance for workers on COBRA payments.
- Inclusion of immigrant workers.
- More needs to be done for:
  - State and local governments beyond immediate COVID-19 response
  - Keeping workers on the job
  - Oversight on loans and grants to businesses