

2020 Economic Stimulus Summary

Draft as of Friday, March 27



Overview

The US Senate unanimously passed an unprecedented \$2.2 trillion dollar relief package to help distressed citizens and businesses as they combat the spread of Covid-19. The bill was passed by the House where it was signed by President Donald Trump on Friday, March 27.

(This is a draft; more details will be forthcoming)

Covid-19 Aid, Relief, and Economic Security (CARES) Act Key Facts:

- Provide **\$350 billion** in loans and funding for small businesses with an additional **\$10 billion** in emergency injury disaster loans
- Create a **\$500 billion** lending program for larger companies, including airlines, as well as states and communities
- Institute a series of tax incentives headlined by the Employee Retention Credit
- Expand unemployment insurance with an addition of **\$600 per week** to some
- **\$250 billion** in direct cash assistance to citizens
- Provide **\$100 billion** for hospitals to help covered costs related to the virus
- State and local governments receive **\$150 billion**

Small Business Assistance

\$350 billion for the Paycheck Protection Program (PPP):

- Expansion and allocated \$350 billion of SBA's 7(a) loan program
- Funds are made through banks and other SBA qualified lending institutions
- Limited to businesses and select nonprofits that employ under 500 employees
- Maximum loan amount is \$10 million
- 100% loan guaranteed by the federal government
- Eligible expenses include payroll, insurance, rent, mortgage and utilities
- Waives borrower and lender fees, certain credit requirements, collateral and personal guarantees
- Sets maximum interest rate of 4% and defers payments for 6-12 months
- Amount spent by borrower used on items such as payroll, mortgage or rent obligations, and utility payments, within the first 8 weeks from loan origination may be forgiven
- Anything not forgiven or repaid by December 31 will convert to a loan at 4% interest rate
- Startups that are VC backed might not be eligible as they could be deemed affiliates of the venture firm pending on ownership structure, SBA has not issued guidance

\$10 billion for the Emergency Injury Disaster Loan (EIDL):

- Eligibility expanded to include tribal businesses, cooperatives, ESOP's, individual contractors, sole proprietors, and private non-profits with less than 500 employees
- Eligibility also required a business to be located within a deemed SBA "disaster zone"
- Provide low interest loans of up to \$2 million
- Eligible applicants may receive an emergency grant of up to \$10,000 in 3 days
- Waives credit elsewhere requirement, personal guarantees and 1-year-in-business requirement for advances and loans below \$200,000

Large Business Assistance

- \$500 billion for the Treasury Exchange Stabilization fund for loans, loan guarantees and other investments, including: \$25 billion for air passenger carriers, \$4 billion for air cargo; \$17 billion for business important to national security
- \$454 billion for the Federal Reserve's lending facilities to eligible businesses, states and municipalities
- Eligible entities must: have no alternative financing available, loans must be secured, loan terms must be less than 5 years, loan cannot be forgiven, no buy backs or dividend payments until the loan is repaid or 1 year from loan origination; must maintain 90% of March 24 workforce until September 30

Other Tax Benefits for Businesses

Employee Retention Credit

- A credit equal to 50% of qualified wages with respect to each employee, quarterly
- A business must be operating during 2020 and was fully shut down due to Covid-19 or the business experiences a 50% decline in gross receipts compared to the same quarter the year prior

Delay of Employer-Paid Payroll Tax Payments

- Allows deferment and savings on employer share of Social Security taxes (6.2%)
- Deferred taxes must be repaid over following two years

Advanced Refunding of Sick and Medical Leave Credit

- Employers are required to provide paid sick leave and paid family and medical leave under specific circumstances resulting from Covid-19
- Created new tax credits to offset the employer cost of providing this leave
- Allows employers to quickly claim credits to reduce financial strain from this new mandate

Modifications on Limitation of Business Interest

- For businesses subject to the 30% of income limitation on deducting business interest expenses, the bill increases the limit to 50% for 2019 and 2020. For businesses subject to the 30% of income limitation on deducting business interest expenses, the bill increases the limit to 50% for 2019 and 2020

Assistance for Citizens

- \$250 billion in assistance to citizens with cash payments of \$1,200 for individuals or \$2,400 for couples (plus \$500 per child) based upon gross income that phased out for higher earners

Additional Hospital Funding

- \$100 billion for Hospitals Provides hospital funding through increased Medicare payments and other grants
- Hospitals that treat Medicare patients for Covid-19 will get a 20% payment increase for all services provided
- Employers and health insurers will be required to pay hospitals and labs whatever their charges are for Covid-19 tests if a contract is not in place

Assistance for State and Local Government

\$150 billion for the Create Covid-19 Relief Fund

- Support for state, local and tribal governments for Covid-19 related expenses
- It is estimated that California will receive an estimated \$15.32 billion
- 45% of that is allocated for cities and counties with a population that exceeds 500,000
- Distribution is based upon a population based upon a formula in the bill
- It appears the any item budgeted previously are not eligible as a covered expense
- Expense must be occurred from March 1 through December 31

\$5 billion allocated to Community Development Block Grants

- CARS Act appears to allow the HUD Secretary to waive or specify alternative requirements for any statute or regulation with some exception
- HUD is developing guidance on fund distribution based on a formula using best available data on Covid-19 and associated economic and housing disruptions

Additional Housing Assistance

- \$1.25 billion for tenant based rental assistance (vouchers)
- \$685 million for public housing assistance

\$30 billion for an Education Stabilization Fund

- Support for state, school districts and higher education to cover costs from Covid-19
- \$14 billion for colleges and university
- At least \$13.5 billion for K-12
- \$3 billion set aside for governors to allocate most severely impacted by Covid-19
- Grants Education Secretary ability to waiver many federal requirements

\$45 billion in Disaster Relief Fund

- Includes \$400 million for grants for fire/EMS, emergency management, and food & shelter providers

\$25 billion for Transit Systems

- Fund distributed through formula covered in the Urbanized/Rural Area Formula Grant

Unemployment Insurance Enhancements

- Creates a temporary Pandemic Unemployment Assistance (PUA) program for those not covered by traditional unemployment insurance (UI)
- Provides an \$600 a week from the federal government for up to 4 months on top of current UI coverage
- Provides an additional 13 weeks of UI after state UI expires
- Federal government will reimburse states for 50% of the costs incurred through December 31st of unemployment benefits for state agencies and non-profits