

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

As Enacted – March 27, 2020*



Small Business Support

- \$349B program to provide government guarantee on loans. Built on existing Small Business Administration (SBA) 7(a) program but with an enhanced 100% government guarantee.
- Eligibility includes: 1) Business with 500 or less employees or otherwise meeting SBA definitions, 2) Self-employed individuals/independent contractors, 3) Specific nonprofit orgs.
- Loans of no more than \$10M – capped at 250% of employer's monthly payroll. Which includes salary and benefits. Qualifying period expires at 6/30/20.
- Waives lender requirement to determine repayment ability. Waives related fees.
- Allowable uses included payroll support (salary, leave, insurance) mortgage, rent, and utility payments.
- Loans will be available through existing SBA-certified lenders. These include existing banks and lenders.
- Loans are forgivable for funds spent during 8-week period after origination in the amount equal to payroll, mortgage interest, lease, and utility. The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation. Formula excludes compensation over \$100K annually.
- Creates \$10B program for businesses that applied for Economic Injury Disaster Loans (EIDL). Allows loan advance (up to \$10K).
- Expands eligibility for the existing EIDL program to sole proprietor /independent contractors, etc.
- SBA Express Loan cap would increase from \$350K to \$1M.
- Requires the SBA to pay the principal, interest, fees on specific limited existing SBA loans for 6 months.

General Business Provisions and Tax Support

- Business Loans:
 - \$500B for loans and support from the Federal Reserve (can go to businesses, states, municipalities, etc.).
 - Carve-out equal to roughly 10% for air service industries and national security businesses.
 - 5-year loan max (cannot be forgiven).
 - No stock buybacks – government can share in gains.
 - Limits to executive compensation.
 - Proposes creation of a targeted Middle Market program for businesses and non-profits between 500 and 10,000 employees. Criteria:
 - Recipient must retain 90% of workforce through 9/20/20.
 - No outsourcing /off shoring.
 - Recipient will be neutral to collective bargaining.
 - Federal Reserve to create a Main Street Lending program with limited requirements.
- Tax Support:
 - Delay of employer payroll taxes due at year end until 2021 (and later).
 - Provides a refundable payroll tax credit for 50% of wages paid by employer whose 1) operations were fully or partially suspended due to coronavirus or gross receipts declines by more than 50% compared to same quarter in 2019.
 - Extends net operating loss (NOL) carry back to 5 years (includes pass-through orgs) and other limits.
 - Temporarily increases the amount of interest expense businesses can deduct from 30% to 50%.
- Sick Leave
 - Modifies the Families First Coronavirus Response Act to cap paid sick leave at \$511 per day and \$5,110 in aggregate (less if caring for someone else or due to school closure).
 - Federal Medical Leave Act requirements under the prior law are capped at \$200 per day and \$10K in aggregate.

Individual Support

- Checks from the U.S. Treasury for up to \$1,200 per person and \$500 per child will be issued for taxpayers – with a phase out beginning at \$75K.
- Unemployment insurance extension (4 months) / enhanced benefit package. Also extended to traditional non-eligible individuals (e.g. self-employed /independent contractors).
 - Removes one-week waiting period.
 - Federal government to pay for costs.
- Provides funding to support “short-time compensation” programs, where employers reduce employee hours instead of laying off employees. Essentially a partial unemployment benefit. Federal government will pay 100% for states with programs in existence and 50% for states that initiate the program – through year end.
- Waives early withdrawal penalties for retirement distributions for 2020.
- Defers student loan principal and interest through 9/30/20 without penalty and suspends forced collection.
- Modifies charitable deduction limits for 2020.
- Enables companies to pay student loan for employee tax-free up-to \$5,250 annually.

Minority Business Support

- \$10M for the Minority Business Development Agency within the Department of Commerce for minority business centers and minority chambers – temporarily waives matching requirements.

Healthcare System & Related Support

- Provides \$100B for healthcare providers for coronavirus related expenses and lost revenue.
- \$4.3B for the Centers for Disease Control and Prevention for coronavirus related issues.
- Requires health insurance plans to reimburse for coronavirus testing.
- Delays planned reductions in Disproportionate Share hospital payments.
- Medical product provisions (drug/device supply chain and shortages, medical supply stockpiles, liability).
- Promotes the use of telehealth technologies.

Mortgage/Residential Provisions

- Prohibits foreclosure on all federally backed mortgage loans for a 60-day period.
- Enables forbearance for borrowers impacted by coronavirus.
- Landlords are prohibited (120 days) from initiating legal action to evict if related mortgage is federally backed.

State Support

- Provides \$150B to States for expenditures incurred due to the public health emergency with respect to coronavirus in the face of revenue declines, allocated by population proportions, with a minimum of \$1.25B for states with relatively small populations.
- Provides flexibility to states to use federal workforce funds to respond to coronavirus needs.

Miscellaneous/Noteworthy Appropriations (Partial List)

- \$80M to FDA for countermeasures and vaccine development.
- \$1.5B for Economic Development Administration to fund grants in states suffering economic injury.
- \$50M for the Manufacturing Extension Partnership (MEP) program (potential for [MAGNET](#)).
- \$60M for NASA for mission delays caused by NASA center closures due to pandemic.
- \$2.45B for the Defense Industrial Base to mitigate impact on production lines / supply chains
- \$45B for FEMA related activities to respond to pandemic.
- \$945M for NIH for coronavirus vaccine and treatment research.
- \$30.9B for Education Stabilization Fund to help K-12 schools respond to coronavirus closures.

**Information compiled from: 1) [CARES Act As-Passed](#), 2) [Appropriations Summary](#), 3) [Section-by-Section Summary](#), U.S. Chamber Summary, [National Small Business Association Fact Sheet](#) and additional sources. Will be updated with additional information/examination. The information provided in this summary does not constitute legal or tax advice and is meant for general informational purposes only. Contact the [GCP Advocacy Team](#) with questions.*