

Summary of the “Coronavirus Aid, Recovery, Relief, and Economic Security Act” (the “CARES” Act)

Division A – Title I

Section 1102 – SBA’s Paycheck Protection Program

The stimulus includes nearly \$350 billion in funding for a provision to create a Paycheck Protection Program (PPP) that will provide small businesses and other entities with zero-fee loans of up to \$10 million. Up to 8 weeks of average payroll and other costs will be forgiven if the business retains its employees and their salary levels. Principal and interest is deferred for up to a year and all borrower fees are waived. This temporary emergency assistance through the U.S. Small Business Administration (SBA) and the Department of Treasury can be used in coordination with other COVID-financing assistance established in the bill or any other existing SBA loan program.

Section 1110 – SBA’s Economic Injury Disaster Loan (EIDL) program

The stimulus includes \$10 billion in funding for a provision to provide an advance of \$10,000 to small businesses and nonprofits that apply for an SBA economic injury disaster loan (EIDL) within three days of applying for the loan. EIDLs are loans of up to \$2 million that carry interest rates up to 3.75 percent for companies and up to 2.75 percent for nonprofits, as well as principal and interest deferment for up to 4 years. The loans may be used to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

The EIDL grant does not need to be repaid, even if the grantee is subsequently denied an EIDL, and may be used to provide paid sick leave to employees, maintaining payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. Eligible grant recipients must have been in operation on January 31, 2020. The grant is available to small businesses, private nonprofits, sole proprietors and independent contractors, tribal businesses, as well as cooperatives and employee-owned businesses.

A business that receives an EIDL between January 31, 2020 and June 30, 2020 as a result of a COVID-19 disaster declaration is eligible to apply for a PPP loan or the business may refinance their EIDL into a PPP loan. In either case, the emergency EIDL grant award of up to \$10,000 would be subtracted from the amount forgiven in the payroll protection plan.

The bill provides \$562 million to ensure that SBA has the resources to provide Economic Injury Disaster Loans (EIDL) to businesses that need financial support.

Section 1113 - Bankruptcy

This provision will allow more struggling small businesses to obtain bankruptcy relief – allowing them to keep more employees on the payroll and continue operating – during the COVID-19 pandemic.

Division A – Title II

Section 2104 - Emergency Increase in Unemployment Compensation Benefits

This section provides an additional \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months.

Section 2107 – Pandemic Emergency Unemployment Compensation

This section provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of state unemployment benefits are no longer available.

Section 2201 -- recovery rebates for individuals

All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 married), who are not a dependent of another taxpayer and have a work eligible social security number, are eligible for the full \$1,200 (\$2,400 married) rebate. In addition, they are eligible for an additional \$500 per child. This is true even for those who have no income, as well as those whose income comes entirely from non-taxable means-tested benefit programs, such as SSI benefits.

For the vast majority of Americans, no action on their part will be required in order to receive a rebate check as IRS will use a taxpayer's 2019 tax return if filed, or in the alternative their 2018 return. This includes many low-income individuals who file a tax return in order to take advantage of the refundable Earned Income Tax Credit and Child Tax Credit. 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.

Section 2206 – Exclusion for certain employer payments of student loans

The provision enables employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to \$5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The \$5,250 cap applies to both the new student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies

to any student loan payments made by an employer on behalf of an employee after date of enactment and before January 1, 2021.

Section 2301 - Employee retention credit for employers subject to closure due to COVID-19

The provision provides a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.

The credit is based on qualified wages paid to the employee. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from March 13, 2020 through December 31, 2020.

Section 2302 - Delay of payment of employer payroll taxes

The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. Employers generally are responsible for paying a 6.2-percent Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022. The Social Security Trust Funds will be held harmless under this provision.

Section 2303 - Modifications for net operating losses

The provision relaxes the limitations on a company's use of losses. Net operating losses (NOL) are currently subject to a taxable-income limitation, and they cannot be carried back to reduce income in a prior tax year. The provision provides that an NOL arising in a tax year beginning in 2018, 2019, or 2020 can be carried back five years. The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income. These changes will allow companies to utilize losses and amend prior year returns, which will provide critical cash flow and liquidity during the COVID-19 emergency.

Section 2304 - Modification of limitation on losses for taxpayers other than corporations

The provision modifies the loss limitation applicable to pass-through businesses and sole proprietors, so they can utilize excess business losses and access critical cash flow to maintain operations and payroll for their employees.

Section 2305 - Modification of credit for prior year minimum tax liability of corporations

The corporate alternative minimum tax (AMT) was repealed as part of the Tax Cuts and Jobs Act, but corporate AMT credits were made available as refundable credits over several years, ending in 2021. The provision accelerates the ability of companies to recover those AMT credits, permitting companies to claim a refund now and obtain additional cash flow during the COVID-19 emergency.

Section 2306 - Modification of limitation on business interest

The provision temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30-percent limitation to 50 percent of taxable income (with adjustments) for 2019 and 2020. As businesses look to weather the storm of the current crisis, this provision will allow them to increase liquidity with a reduced cost of capital, so that they are able to continue operations and keep employees on payroll.

Division A, Title IV

The economic assistance title of the Senate's coronavirus aid legislation provides financial assistance to states, municipalities, and businesses, and provides important help to homeowners and renters by placing moratoriums on foreclosures and evictions. This bill contains \$504 billion in funding for loans to airlines and other companies, and utilizes with Federal Reserve's Section 13(3) authority to create lending facilities for states, municipalities, tribes, and businesses. The bill authorizes the Treasury to issue \$50 billion in direct loans: \$25 billion to passenger airlines, \$4 billion to cargo air carriers, and \$17 billion to businesses critical to maintaining national security. The remaining \$454 billion can be invested in Federal Reserve facilities to provide liquidity to banks for lending to states, municipalities, and businesses.

Division B (Appropriations)

DEPARTMENT OF TRANSPORTATION – \$36.1 billion

Federal Aviation Administration, Airport Improvement Program (AIP) – \$10 billion to maintain operations at our nation's airports that are facing a record drop in passengers. AIP funds will be distributed by formula.

(Note: Projects utilizing these AIP funds could be financed 100% by federal dollars. A state or local match is not required.)

Essential Air Service (EAS) – \$56 million provided to maintain existing air service to rural communities. This funding is necessary to offset the reduction in overflight fees that help pay for the EAS program.



Political Pipeline



Information for members of the American Concrete Pipe Association

Federal Highway Administration – Language to clarify that states can issue special permits for overweight vehicles and loads to allow for the free flow of critical relief supplies during the current coronavirus epidemic for the duration of the fiscal year.

Federal Transit Administration (FTA), Transit Infrastructure Grants – \$25 billion for transit providers, including states and local governments across the country, for operating and capital expenses. Funding will be distributed using existing FTA formulas.

Amtrak – \$1.018 billion for Amtrak operating assistance to cover revenue losses related to coronavirus. In addition funding is provided to help states pay for their share of the cost of state supported routes.

DOT Administrative Accounts – \$6 million for the Department of Transportation to cover increased administrative expenses as a result of the coronavirus.

DOT Inspector General – \$5 million for the DOT Inspector General to provide oversight and ensure funds provided are used for lawful purposes.

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