

# Unpacking the Coronavirus Aid, Relief and Economic Security (CARES) Act

March 28, 2020

Thomas L. Leonard, III  
(517) 324-5616  
tleonard@plunkettcooney.com

On Friday afternoon, President Trump signed the \$2.2 trillion bi-partisan "Coronavirus Aid, Relief, and Economic Security Act (CARES), following extensive negotiations with Congressional Leaders. The Act passed 96-0 in the Senate and with a quorum of 216 in the House of Representatives.

The CARES Act is the largest economic stimulus package in the nation's history, providing economic relief to families, healthcare workers and businesses both large and small.

The following is a brief synopsis that highlights major portions of the Act, but not all aspects of the bill are covered:

- Stimulus funding to states, territories and tribal governments
- Direct payments to individuals
- Enhanced unemployment insurance benefits
- Healthcare and hospital funding
- Corporate and small business funding
  - Corporations
  - Small businesses
- Payroll taxes
- FEMA
- Defense
- Education

### **Stimulus Funding to States, Territories and Tribal Governments:**

The CARES Act includes \$150 billion in direct aid to state, local and tribal governments for costs incurred due to the COVID-19 crisis. This aid is based on population, with each state receiving at least \$1.25 billion.

***Illinois' share of this appropriation is \$4.91 billion, and Indiana will receive \$2.61 billion. The states of Michigan and Ohio will receive \$3.87 billion and 4.53 billion, respectively.***

### **Direct Payments to Individuals:**

The Act includes one-time direct deposit payments of up to \$1,200 for individuals and \$2,400 for married couples. Those with children will receive \$500 for each child.

These payments are expected in early April and are available for incomes up to \$75,000 for individuals and \$150,000 for couples. The payments begin to phase out at \$75,000 for individuals and \$150,000 for couples, and phase out completely at \$99,000 and \$198,000.

### **Enhanced Unemployment Insurance Benefits:**

An additional \$250 billion was appropriated for extended unemployment insurance benefits for individuals. This includes \$600 per week for up to four months, in addition to what state programs offer. Eligibility will also include the self-employed and independent contractors, who typically do not qualify for unemployment insurance.

### **Healthcare and Hospital Funding:**

The Act provides over \$140 billion in funding to support hospitals and healthcare workers. \$100 billion of this funding will be sent directly to hospitals in the form of grants and funding for public and not-for-profit entities, as well as for Medicare and Medicaid providers.

The additional \$40 billion in funding is for personal protective equipment for healthcare workers, ventilators and other medical supplies, testing, vaccines, diagnostics and other medical needs. Funding will also be utilized for increased healthcare workforce and training funding. \$16 billion of this funding will also be used for the Strategic National Stockpile to shore up current shortages.

## **Corporate and Small Business Funding:**

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### **Corporations:**

Under the Act, \$500 billion has been allocated for the U.S. Secretary of the Treasury to make loans, loan guarantees and other investments in support of eligible businesses, states and municipalities. The Treasury Department inspector general and a Congressional committee will oversee this funding. Businesses accepting these loans must retain at least 90% of their employees through Sept. 30, 2020. The loans cannot be forgiven, and businesses accepting them will be prohibited from engaging in buybacks for the duration of the loan plus a year.

It should be noted that airlines will receive \$58 billion of this funding. (\$50 billion for passenger air carriers and \$8 billion for cargo air carriers)

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### **Small Businesses:**

Over \$370 billion was included in the Act to assist small businesses – those with fewer than 500 employees – to prevent layoffs and business closures during the COVID-19 pandemic. The businesses that maintain their payroll during the crisis will be eligible for assistance in the form of a forgivable loan, which will provide up to eight weeks of payroll, and assistance with mortgage obligations, rent and utilities.

The portion of the loan subject to forgiveness will be reduced consistent with the employer's reduction in employees. Any portion of the loan forgiven will not be considered taxable income.

### **Payroll Taxes:**

The Act allows for employer-side Social Security payroll tax payments to be delayed until Jan. 1, 2021, with 50% being owed on Dec. 31, 2021 and the remaining 50% being due on Dec. 31, 2022.

Employers will also be eligible for a 50% refundable payroll tax credit on wages paid up to \$10,000 during the COVID-19 pandemic. This credit is available to employers whose businesses were suspended or shut down (fully or partially) because of the virus, or whose businesses experience a decrease in gross receipts of 50% or more compared to the same quarter of 2019.

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It is important to note that this provision differentiates between employers with more than 100 employees and those with less than 100 employees.

For those employers with more than 100 employees, the credit is available only for employees retained but not working due to the pandemic, and for those with 100 or fewer employees, all wages are eligible for the credit.

**FEMA:**

The Act will provide \$45 billion for immediate needs for states and local governments, as well as tribal and territorial governments to assist in response and recovery from the effects of COVID-19.

\$25 billion has also been allocated for major disaster areas declared for certain states.

**Defense:**

Under the Act, \$10.5 billion was appropriated for the U.S. Department of Defense, largely for veterans, current members of the armed forces and their families.

An additional \$1.4 billion was allocated for National Guard deployments to assist the governors of each state for the next six months to support state and local response efforts.

**Education:**

The Act creates an Education Stabilization Fund of \$30.75 billion for states, school districts and higher education. \$13.75 billion of this funding is available for elementary and secondary education and \$14.25 billion is available for higher education.

Each state will also receive a share of \$3 billion for governors to distribute at their discretion for emergency support to Local Education Agencies (LEAs) and institutions of higher education (IHEs) that have been significantly impacted by the COVID-19 pandemic.

As appropriations are made in support of CARES and regulations are promulgated for businesses to access funds under the Act, Plunkett Cooney will continue to provide updates and guidance to clients and friends of the firm.