

Federal Stimulus Package

The Senate passed the “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act” on March 25, 2020. The bill will now go back to the House and is expected to be signed by President Trump by Friday, March 27, 2020. The bill provides for direct cash payments for qualifying individuals. It also greatly expands the duration of, total amount of, and types of individuals qualified for unemployment. It also expands aid for small businesses. Below are some of the highlights of the CARES Act and how it may benefit your business.

Direct Cash Payments

Individuals making up to \$75,000 a year will receive checks for \$1,200. Couples making up to \$150,000 will receive \$2,400. An additional \$500 will be given per child. Those who file tax returns as “head of household” and earned \$112,500 or less will get \$1,200. The payments will decrease for those making more than \$75,000, with an income cap of \$99,000 for individuals and \$198,000 for couples.

The payments will be issued by the IRS through direct deposits and should be in bank accounts within weeks. However, for those who do not have direct deposits set up with the IRS, it could take up to four months for the government to mail checks.

Unemployment Benefits

Workers in most states are currently eligible for up to 26 weeks of benefits, but that will now be extended to 39 weeks. The bill will also give Americans an extra \$600 a week on top of the maximum unemployment benefits states already dole out. Gig workers, furloughed employees, and freelancers will be eligible.

Who is Covered?

Covered individuals is defined to include individuals who can provide self-certification that they are otherwise able to work except that they are unemployed, partially unemployed, or unable or unavailable to work because:

1. The individual has been diagnosed with COVID-19 or is experiencing symptoms
2. A member of the household has been diagnosed with COVID-19
3. The individual is providing care for a family member or a member of the household who has been diagnosed
4. A child in the household is unable to attend school that is closed as a direct result of COVID-19
5. The individual cannot reach their place of employment because of a quarantine imposed as a direct result of COVID-19
6. The individual was scheduled to start employment and does not have a job or is unable to reach the job as a direct result of COVID-19
7. Individual has to quit his or her job as a direct result
8. The individual's place of employment is closed as a direct result of the COVID-19 public health emergency

It also includes individuals who are self-employed, seeking part-time employment, do not have sufficient work history, or otherwise would not qualify for regular unemployment benefits.

Note that it explicitly does not include individuals who have the ability to telework with pay OR

individuals who are receiving paid sick leave or other paid leave benefits.

What Is Available?

Assistance is available for weeks of unemployment, partial unemployment or inability to work caused by COVID-19 from January 27, 2020 to December 31, 2020. The total number of weeks for which a covered individual may receive assistance shall not exceed 39 weeks. The assistance authorized is the weekly benefit amount authorized under the law of the state plus an additional amount of \$600 through July 31, 2020. Therefore, after 4 months, unemployment benefits revert back to just the weekly amount authorized under the law of the state.

Self-Employed Individuals

If the individual is self-employed or would not otherwise qualify for unemployment compensation under their state's law, the assistance authorized under subsection (b) for a week of unemployment shall be calculated in accordance with section 625.6 of title 20, Code of Federal Regulations, or any successor thereto (which is Disaster Unemployment Assistance), and shall be increased by \$600. Disaster Unemployment Assistance is the weekly amount of compensation the individual would have been paid as regular compensation, as computed under the provisions of the applicable State law for a week of total unemployment. In no event shall such amount be in excess of the maximum amount of regular compensation authorized under the applicable State law for that week.

Small Business Protections

The bill targets small businesses in the following ways:

- A \$350 billion forgivable loan program to ensure small businesses do not lay off employees
- A 50% refundable payroll tax credit on worker wages
- Looser net operating loss-reduction rules
- A delay in employer-side payroll taxes for Social Security until 2021 and 2022

- Sole proprietors, independent contractors and other self-employed workers could be eligible for the expanded unemployment-insurance benefits the bill provides
- A portion of the \$425 billion in funds appropriated for the Federal Reserve's credit facilities will target small businesses

Businesses can receive loans up to \$10 million based on how much the company paid its employees between January 1, 2020 and February 29, 2020. The loans will carry an interest rate up to 4%. If the business uses the loan funds for the approved purposes and maintains the average size of its full-time workforce based on when it received the loan, the principal of the loan will be forgiven, meaning the company will only need to pay back the interest accrued.

The legislation provides a refundable payroll tax credit for 50% of employer wages for companies that were fully or partly prohibited from operating during the crisis due to orders from an appropriate governmental authority limiting commerce, travel or group meetings. Note that the amount of qualified wages with respect to any employee which may be taken into account by the eligible employer for all calendar quarters shall not exceed \$10,000. This amount is also unavailable to employers who are taking Small Business Interruption Loans under the Small Business Act.

The bill also provides that businesses can carry back losses from 2018, 2019 and 2020 for up to five years. In addition, net operating losses temporarily would not be subject to a taxable income limit.

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