

CARES Act Summary

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020 and is designed to support individuals and businesses dealing with the economic and health impact of the coronavirus. The Small Business Administration (SBA) and the Department of Treasury are guiding the programs created through the CARES Act.



Small Business Assistance

The CARES Act allocates \$349 billion in direct funding for small businesses in the form of grants and low interest loans.

The Paycheck Protection Program will expand traditional 7(a) lending to cover payroll, utilities, rent and interest on mortgage payments and other forms of debt. Small businesses under 500 employees, tribal businesses, 501(c)3 non-profits, veteran organizations, NAICS 72 businesses and “self-employed” individuals can apply for a forgivable loan equal to 250% of monthly payroll costs. Included in payroll costs are vacation time, sick leave, retirement costs and other family services for an individual making less than \$100,000 in annual compensation.

\$10 billion will be added to the SBA’s Economic Injury Disaster Loan (EIDL) program which can be used for increased costs for interrupted supply chains and other obligations that cannot be met due to lost revenue. After applying for an EIDL, small businesses will receive a \$10,000 advance within 3-days that does not have to be repaid. Another \$17 billion will be allocated through the SBA Small Business Debt Relief program in which the SBA will cover the principal and interest of the loan for up to six months.

\$265 million will be allocated to Small Business Development and Women Business Centers for COVID-19 education, training and technical assistance. Another \$10 million will be allocated for Minority-Owned Businesses and Minority Chambers of Commerce for similar expenses as well as removing the non-federal match requirement.

Furthermore, businesses have access to a large amount of tax credits and other programs. The IRS will allow for a deferment on payroll taxes (50% must be paid by 2021 with the remaining by 2022). Businesses, under certain limitations, can take a credit of 50% of qualified wages (up to \$10,000 per employee) against employment taxes in order to retain that individual.



Individuals

A new Pandemic Unemployment Assistance program will be established, expanding unemployment benefits to 39 weeks and adding an additional \$600 in assistance per week (for up to 4 months). Federal unemployment benefits will be extended to “self-employed” individuals, including part-time workers, who have been directly impacted by COVID-19.

The CARES Act will provide \$1,200 in direct financial assistance to individuals who have an adjusted gross income (AGI) of less than \$75,000 (joint filers will receive \$2,400 for a combined AGI of \$150,000) plus an additional \$500 for each dependent. For filers making over the designated amount, \$5 will be taken from the direct financial payment for every \$100 over their respective AGI.



Healthcare

The CARES Act provides around \$117 billion in funding to healthcare organizations including \$27 billion for an emergency relief fund that will aid research into COVID-19 and \$4.3 billion for the Center for Disease Control. In addition to providing funding, the bill attempts to solve issues that have been overwhelming the system such as a lack of supplies, workforce issues and access to care. To expand coverage, the government allocated \$1.32 billion in awards for COVID-19 prevention, diagnosis and testing as well as an additional \$108 million each fiscal year (until FY25) for telehealth and rural outreach programs. The CARES Act extends Temporary Assistance for Needy Families (TANF) and delays cuts for Disproportionate Share Hospitals assisting those who need the most assistance in terms of healthcare.



Coronavirus Economic Stabilization Act

Through the Coronavirus Economic Stabilization Act, the U.S. Treasury provides \$500 billion dollars to businesses for economic relief. Airlines and air cargo will receive \$29 billion in assistance and \$17 billion will be allocated to companies who assist with national security. The Act ensures airlines may not cut employee payroll (until September 30, 2020), if they wish to receive funding, and provides an additional \$4 million in payroll funding for services contracted by airlines.

The Federal Reserve System will receive the remaining \$454 billion plus any additional funds left over for existing or new programs and facilities. According to the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution, the Fed will be able to leverage this funding into \$4.54 trillion in lending power. The Coronavirus Economic Stabilization Act also grants the Federal Reserve power to create new facilities targeting main street businesses. Additionally, the Act places a moratorium on foreclosures on federal backed mortgages for both single and multifamily residences and a moratorium on eviction filings for 120 days.



State Funding

The CARES Act provides \$150 billion for direct funding to states with \$3 billion allocated toward U.S. territories and \$8 billion to government tribes. The remaining \$139 billion will be distributed amongst the 50 states based on their population size in proportion to the United States, with the minimum amount of funding capped at \$1.25 billion. The bill also allows municipalities with a population over 500,000 access to funding, yet the money will be taken out of the State's allocation. The amount a municipality can receive is 45% of the State's maximum funding, times the proportion of the municipality population compared to the state population.

