COVID-19 Phase III, the CARES Act Summary

This is a summary of the major elements of the stimulus agreement reached by negotiators. We’ve captured the key elements below. The hope is to have a vote in the House this morning, and all done by the end of this week.

- **Business Tax Relief:**
  - Deferral of payment of the employer portion of the Social Security tax, with half due by December 31, 2021 and the other half due by December 31, 2022.
  - Allows net operating losses arising in 2018, 2019 and 2020 to be carried back for five years.
  - Modifies the loss limitation applicable to passthroughs and sole proprietors so they can utilize excess business losses and access cash flow.
  - Increases business interest deductibility from 30 to 50 percent for 2019 and 2020.
  - Provides a refundable payroll tax credit for employers whose operations are partially or fully suspended by a COVID-19 shutdown order or whose gross receipts declined by more than 50 percent compared to the same quarter in the prior year.
  - Provides a technical fix for the qualified leasehold improvement provision in the TCJA.

- **Small Business Assistance:**
  - Provides $562 million for Economic Injury Disaster Loans (EIDL) to small businesses.
  - The package also authorizes $350 billion worth of 100 percent guaranteed SBA loans, a portion of which SBA will forgive based on allowable expenses for the borrower.
  - This small business package also includes $10 billion in direct grants for businesses that do not qualify for the EIDL program, and $17 billion to have SBA step in and make six months of principle and interest payments for all SBA backed business loans.
  - Establishes the maximum 7(a) loan amount to $10 million through December 31, 2020 and provides a formula by which the loan amount is tied to payroll costs incurred by the business to determine the size of the loan.
  - Note that 501 c(3) non-profits qualify for small business assistance programs, not 501 c(6) entities; ACEC will work with ASAE and other associations to address in the next package.

- **Individual Assistance**
  - The agreement provides direct payments to individuals with incomes up to $75,000 ($150,000 for couples), $1,200 for each adult ($2400 for couples), as well as $500 for each child.
  - The bill would add $600 per person per week onto the base maximum unemployment benefit for four months.
The bill enables employers to provide a student loan repayment benefit to employees on a tax-free basis, contributing 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. Note that this provision is based on legislation that ACEC has advocated for to Congress as part of the Council’s workforce agenda.

**Transportation**
- $25 billion for mass transit systems
  - Available for operating expenses to prevent, prepare for, and respond to COVID-19, and reimbursement for lost revenue
  - Distributed under current transit program formulas
- $10 billion for airports
  - $7.4 billion available for any purpose, distributed 50/50 by number of enplanements and ratio of overall debt service
  - $2 billion for AIP formula grants, available for any purpose
  - $500 million to cover the 100% federal cost share of FY20 programs
- $1 billion for passenger rail
  - $492 million for Amtrak Northeast Corridor, to prevent, prepare for, and respond to COVID-19

**State Assistance** -- Provides $150 billion to States, Territories, and Tribal governments to use for expenditures incurred due to the public health emergency with respect to COVID-19 in the face of revenue declines, allocated by population proportions, with a minimum of $1.25 billion for states with relatively small populations.

**Community Development Block Grant** – $5 billion is provided for the Community Development Block Grant (CDBG) program to enable nearly 1,240 states, counties, and cities to rapidly respond to COVID-19 and the economic and housing impacts caused by it, including the expansion of community health facilities, child care centers, food banks, and senior services.

**Treasury’s Exchange Stabilization Fund** – Provides $500 billion for loans, loan guarantees, and other investments, distributed as follows:
- $25 billion for passenger air carriers, eligible businesses that are certified under part 145 of title 15, Code of Federal Regulations, and approved to perform inspection, repair, replace, or overhaul services, and ticket agents;
- $4 billion for cargo air carriers; and
- $17 billion for businesses important to maintaining national security;
- $454 billion, as well as any amounts available but not used for direct lending, for loans, loan guarantees, and investments in support of the Federal Reserve’s lending facilities to eligible businesses, states, and municipalities. Federal Reserve 13(3) lending is a critical tool that can be used in times of crisis to help mitigate extraordinary pressure in financial markets that would otherwise have severe adverse consequences for households, businesses, and the U.S. economy.