

Summary of the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act

Phase 1

\$8.3 billion bill - The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (H.R.6074), signed into law on March 6, 2020.

<https://www.congress.gov/bill/116th-congress/house-bill/6074>

- Extra funding for CDC, FDA, NIH, the State Department, the Small Business Administration (SBA), and the United States Agency for International Development (USAID).
- Includes \$4 billion to make more coronavirus tests available and \$1 billion in loan subsidies for small businesses.

Phase 2

\$104 billion package largely focused on paid sick leave and unemployment benefits for workers and families - The Families First Coronavirus Response Act) (H.R.6201), signed into law on March 18, 2020.

<https://www.congress.gov/bill/116th-congress/house-bill/6201>

Phase 2 specifically requires Covered Employers to provide employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19. The provisions will apply from the effective date (April 1, 2020) through December 31, 2020, and Covered Employers will receive 100% reimbursement for paid leave pursuant to the act.

- Health insurance costs are also included in the credit.
- Employers face no payroll tax liability.
- Self-employed individuals receive an equivalent credit.

Details

The FFCRA requires certain employers to provide employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19. These provisions will apply from the effective date through December 31, 2020.

Generally, the Act provides that employees of covered employers are eligible for:

- Two weeks (up to 80 hours) of paid sick leave at the employee's regular rate of pay where the employee is unable to work because the employee is quarantined (pursuant to Federal, State, or local government order or advice of a health care provider), and/or experiencing COVID-19 symptoms and seeking a medical diagnosis; or
- Two weeks (up to 80 hours) of paid sick leave at two-thirds the employee's regular rate of pay because the employee is unable to work because of a bona fide need to care for an individual

subject to quarantine (pursuant to Federal, State, or local government order or advice of a health care provider), or to care for a child (under 18 years of age) whose school or child care provider is closed or unavailable for reasons related to COVID-19, and/or the employee is experiencing a substantially similar condition as specified by the Secretary of Health and Human Services, in consultation with the Secretaries of the Treasury and Labor; and

- Up to an additional 10 weeks of paid expanded family and medical leave at two-thirds the employee's regular rate of pay where an employee, who has been employed for at least 30 calendar days, is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID-19.

Qualifying Reasons for Leave:

Under the FFCRA, an employee qualifies for paid sick time if the employee is unable to work (or unable to telework) due to a need for leave because the employee:

1. is subject to a Federal, State, or local quarantine or isolation order related to COVID-19;
2. has been advised by a health care provider to self-quarantine related to COVID-19;
3. is experiencing COVID-19 symptoms and is seeking a medical diagnosis;
4. is caring for an individual subject to an order described in (1) or self-quarantine as described in (2);
5. is caring for a child whose school or place of care is closed (or childcare provider is unavailable) for reasons related to COVID-19; or
6. is experiencing any other substantially-similar condition specified by the Secretary of Health and Human Services, in consultation with the Secretaries of Labor and Treasury.

Under the FFCRA, an employee qualifies for expanded family leave if the employee is caring for a child whose school or place of care is closed (or childcare provider is unavailable) for reasons related to COVID-19.

The Department of Labor Guidance states, "An employer, including a religious or nonprofit organization, with fewer than 50 employees (small business) is exempt from providing (a) paid sick leave due to school or place of care closures or child care provider unavailability for COVID-19 related reasons and (b) expanded family and medical leave due to school or place of care closures or child care provider unavailability for COVID-19 related reasons when doing so would jeopardize the viability of the small business as a going concern.

Phase 3

The Coronavirus Aid, Relief and Economic Security Act or CARES Act (H.R. 748) \$2 trillion bill signed into law on March 25, 2020.

<https://www.congress.gov/bill/116th-congress/house-bill/748>

The Coronavirus Aid, Relief, and Economic Security Act (CARES) provides an estimated \$2 trillion stimulus package to battle the harmful effects of the COVID-19 pandemic. A few highlights of what is included in the package:

1. **\$150 billion Coronavirus Relief Fund for state, local and tribal governments.**

- a. Creates a \$150 billion Coronavirus Relief Fund (CRF) for states, territories, local and tribal governments to use for expenditures on the COVID-19 response, allocated by population proportions.
 - b.
- 2. Direct Payments/Tax Credits for Individuals**
- a. Directs one-time payments of \$1,200 for most individuals and \$2,400 for married couples, based on income criteria. For every qualifying child under the age of 16, the payment would be an additional \$500.
 - b. Eligibility for the advance payments will be based on the person's income tax return for 2019, or 2018 if the return for 2019 has not been filed yet. Individuals who are not required to file an income tax return but are eligible for the advance payment may register through the Internal Revenue Service's web site. Eligible individuals who receive social security benefit payments will generally receive payments without registering. Payments phase out for individuals with adjusted gross incomes over \$75,000 (\$150,000 for couples). Anyone making over \$99,000, or married couples who have no children making more than \$198,000 would not receive a payment.

An individual is not eligible if they can be claimed as a dependent by another taxpayer. An individual is also not eligible if they are a nonresident alien.
- c. Payments are being sent out starting in April 2020.
 - d. Allows individuals who take the standard deduction to take a tax credit for up to \$300 of cash charitable contributions per year, effective January 1, 2020.
 - e. Increases the limit for most tax-deductible charitable contributions from 50% to 100% of adjusted gross income for individuals.
- 3. Unemployment Insurance (UI) Benefits (\$260 billion for unemployment insurance programs)**
- Expands unemployment insurance from three months to four months, and provides temporary employment compensation of \$600 per week, which is in addition to and at the same time as regular state and UI benefits. Those who are eligible under Pandemic Unemployment Assistance (PUA) will receive the weekly \$600 along with the original UI benefits, ranging from \$117-\$240. The \$600 Federal Pandemic Unemployment Compensation (FPUC) payments will be made every week until July 25, 2020.
 - Part-time, self-employed, gig economy workers and those who have exhausted regular and extended benefits should be granted access to UI benefits, assuming they pay taxes. There are many delays as of now. For the duration of the emergency declaration an individual will not be required to look for work and apply for other employment while collecting unemployment insurance benefits.
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- 4. Education. \$30 billion for an Education Stabilization Fund for states, school districts and institutions of higher education for costs related to the coronavirus.**
- a. The Education Stabilization Fund provides \$13.5 billion in K-12 formula grants to states, based on their share of ESEA Title I-A funds. State agencies may choose to use a portion or all of the remaining K-12 funds to respond to emergency needs as determined by the state agency. Funds to local districts can be used for

- coronavirus-response activities, such as planning for and coordinating during long-term school closures, purchasing educational technology to support online learning for all students, and additional activities authorized by federal elementary and secondary education laws.
- b. Creates a \$14 billion higher education emergency relief fund to provide cash grants to college students for costs such as course materials, technology, food, housing, and childcare. Each college will determine which of its students receive cash grants.
 - c. Payments of student loan principal and interest of by an employer to either an employee or a lender is not taxable to the employee if paid between March 27, 2020, and December 31, 2020. The maximum amount that is tax-free is \$5,250 per employee.
 - d. For college students in a federal work-study program, allows a school to continue to pay a student if the student is unable to fulfill their work-study obligation due to the COVID-19 public health emergency.
 - e. Gives students and colleges flexibility regarding the requirements for federal student financial aid during the COVID-19 pandemic.
 - f. Suspends payments and accrual of interest on federal student loans through September 30, 2020. Suspends garnishments and tax refund interception related to federal student loans through September 30, 2020.
5. **Department of Health and Human Services Extenders:** Fund appropriations to combat the further spread of COVID-19 and prevent/manage potential future pandemics. \$100B to hospitals & healthcare providers to support COVID-19 related expenses and lost revenue
- a. \$16B for procurement of personal protective equipment, ventilators, and other medical supplies for federal and state response efforts
 - b. \$11B for construction, manufacturing, and purchase of vaccines and therapeutic delivery to the American people
 - c. \$1.5B for state and local preparedness and response activities
 - d. \$945.5M for the NIH's vaccine, therapeutic, and diagnostic research to increase understanding of COVID-19, including underlying risks to cardiovascular and pulmonary conditions
 - e. \$500M to continue CDC's global health efforts
 - f. \$300M to give HHS flexibility to respond to pandemic threats
 - g. \$275M to expand services and capacity for rural hospitals, telehealth, poison control centers, and HIV/AIDS programs
 - h. \$200M, including \$100 million to support additional infection control surveys for facilities with populations vulnerable to severe illness from coronavirus
6. Provides up to \$5 billion for the **Community Development Block Grant (CDBG)** program. \$2 billion is to be distributed to states and entitlement jurisdictions to supplement the conventional CDBG program. \$1 billion of the total appropriation is intended "to prevent, prepare for, and respond to coronavirus ... including activities within entitlement and non-entitlement communities, based on public health needs, risk of transmission of coronavirus, and number of coronavirus cases. The remaining \$2 billion is to be distributed to states and units of local government on a rolling basis, at the

discretion of the Secretary, with formula factors to be defined by HUD.

7. The Department of Interior. Provides \$453 million for the **Bureau of Indian Affairs** to prepare for and respond to the coronavirus, including for public safety and justice programs, welfare assistance and social services programs, and other tribal government assistance.
 - a. Secures an additional \$300 million for Native American housing, which includes \$200 million for the Indian Housing Block Grant Program and \$100 million for imminent threats to health and safety; \$100 million for the Food Distribution Program for Indians Reservations; and an additional \$8 billion for tribal enterprises

8. **Federal Emergency Management Agency (FEMA)**
 - a. Provides \$45 billion for a disaster relief fund for immediate state, local, tribal and territorial governments to protect citizens and help them respond/recover to the effects of COVID-19. Reimbursable activities may include medical response, personal protective equipment (PPE), National Guard deployment, coordination of logistics, safety measures and community services.

9. A \$349 billion loan program, called the **Paycheck Protection Program (PPP)**, for small businesses with funds available for loans originated from February 15 through June 30, 2020, as detailed in the table below.

10. Expands the Small Business Administration's **Economic Injury Disaster Loans (EIDL)** to cover most nonprofit organizations, including faith-based organizations. An unsecured EIDL can be for up to \$25,000, while a secured EIDL may be for up to \$2 million. The applicant must have an acceptable credit history and be able to repay the EIDL. Each EIDL has a low interest rate and has a term of up to 30 years. An EIDL applicant may receive a \$10,000 advance payment that is not required to be repaid. Proceeds from an EIDL may be used to pay for ordinary and necessary operating expenses, liabilities, and other bills not able to be paid because of a decrease in revenue. An EIDL may not replace lost revenue or lost profits and may not be used for business expansion, as detailed in the table below.

Summary comparison of PPP and EIDL Programs

Program	Paycheck Protection Program (Emergency SBA 7(a) Loans) Secs. 1102, 1106	Expanded EIDL & Emergency Grants (SBA 7(b) Loans) Sec. 1110
Description	Emergency loan program for nonprofits and for-profit entities to secure funds to pay staff and operating costs for two months, and secure full loan forgiveness under certain circumstances.	Existing Economic Injury Disaster Loan (EIDL) program expanded to more for-profit entities, applies looser credit standards, and creates a rapid grant procedure.
Size Eligibility	500 or fewer employees	Existing EIDL limits for nonprofits*
Dollar Amount	The lesser of \$10 million or 2.5 times the average total monthly payroll costs from the one-year period (look back) prior to the date of application. Express 7(a) loans available up to \$1 million.	Normal EIDL loans available up to \$2 million. EIDL advances of \$10,000.
Loan Processor	Local financial institutions	Small Business Administration
Nonprofit Eligibility	Must have been in operation on 2/15/2020 and had	In operation before 1/31/2020.

	paid employees and/or paid independent contractors. Expressly available for charitable nonprofits with 500 or fewer employees, but requires that employees of affiliated nonprofits may be counted toward the 500 employee cap, depending on the degree of control of the parent.	Loans can be based solely on credit score. Existing EIDL program applies to “private nonprofit organizations” that excludes religious institutions and some other charitable organizations.
Personal Guarantee	No collateral or personal guarantee required.	Waives personal guarantee up to \$200,000, and requirement of inability to obtain credit elsewhere.
Certification	Good-faith certification that need for the loan is based on economic conditions; funds to be used to retain workers and maintain payroll or make mortgage, lease, and utility payments; and no duplicate application or receipt of funds for same purposes.	Self-certification under penalty of perjury.
Loan Use	Payroll costs, mortgage interest payments, rent, utilities, and interest on prior debt during the 8-week period following loan origination.	\$10,000 advance: Paid sick leave, meeting payroll, increased costs due to disrupted supply chain, mortgage, debt service.
Loan Terms	1.0% interest rate; first 6 months of payments (principal and interest) automatically deferred. Maximum of 2 years.	Normal EIDL: 2.75% interest rate for nonprofits \$10,000 advance treated as a grant
Loan Forgiveness	Employers that maintain employment for the 8 weeks after origination of loan, or rehire employees by June 30, will have loans forgiven in whole or part, essentially turning the loan into a grant. Section 1106.	\$10,000 advance forgiven even if borrower denied EIDL loans.
Key Definitions	Covered Period means the 8-week period following loan origination. Employee means an individual working on a full-time, part-time, or other basis. Payroll Costs include compensation (including benefits costs) paid to employees and contractors, capped at \$100,000 per year per individual (prorated over the “covered” period), and state/local payroll taxes.	Covered Period means 1/31/2020 through 12/31/2020. Eligible entity means a business with 500 or fewer employees. *Eligible private nonprofits include all charitable nonprofits, including faith-based organizations, per SBA FAQs published 4/3/2020 .
Application & Documentation	SBA Instructions and sample application (posted 3/31/2020)	For emergency EIDL Grant, apply here now. For normal EIDL loans, complete SBA Form 5 online.

11. The **\$454 billion Main Street Lending Program** which authorizes the Secretary of the Treasury (working with the Federal Reserve) to make loans, loan guarantees, other investments and subsidies to provide liquidity for mid-size businesses between 500 and 10,000 employees for losses incurred as a result of coronavirus. These loans will have an annualized rate no greater than 2% and with no principal or interest due for at least six months. The loans are not eligible for loan forgiveness. This program is available to eligible businesses that have not otherwise received “adequate economic relief” in the form of loans or loans guarantees provided under the other provisions of the CARES Act. The Treasury Secretary is expected to issue more details and guidance on the application procedures and requirements.
12. **Tax credits, tax deferrals, and tax deductions.**
 - a. Allows employers to defer payment of the employers' share of social security tax for up to two years. Payment of the portion of self-employment tax corresponding to the

employer's share of social security tax may also be deferred for up to two years. Payment of these taxes incurred after having a Paycheck Protection Program loan forgiven cannot be deferred, but taxes incurred before the loan forgiveness may continue to be deferred.

- b. Provides a refundable employee retention tax credit for employers whose operations were suspended due to COVID-19 or whose revenue has significantly decreased due to COVID-19. The tax credit is equal to 50% of qualified wages paid between March 13, 2020, and December 31, 2020. Maximum credit is \$5,000 per employee. Qualified wages include the cost of qualified health care. Qualified wages do not include wages paid for Emergency Paid Sick Leave or Emergency Family Medical Leave. A business is not eligible for the credit if it receives a Paycheck Protection Program loan.
 - c. Suspends required minimum distributions from traditional Individual Retirement Accounts (IRAs) and employer-sponsored retirement plans for 2020.
 - d. Waives the 10% tax penalty for early distributions from IRAs and employer-sponsored retirement plans under specified conditions.
13. **Employee Retention Credit for Employers Subject to Closure Due to COVID-19**
- a. Generally, this provision permits an “eligible employer” to offset against the employer’s contribution to social security up to 50% of up to \$10,000 in wages paid to employees who for small businesses continue to work and for larger business continue to be paid by the employer despite the employee’s inability to work. The program imposes a number of limitations, summarized below.
 - b. Limitations. The tax credit only applies to wages paid after March 12, 2020 and before January 1, 2021, and the amount of “qualified wages” that may be taken into account for the credit for all eligible calendar quarters is \$10,000 in wages paid to each employee.
 - c. An “eligible employer” is an employer:
 - i. Whose operations are fully or partially suspended during a calendar quarter due to orders of a government authority limiting travel, commerce or group meetings due to COVID-19; or
 - ii. Whose gross receipts, during an eligible calendar quarter beginning with the first quarter 2020, are 50% of the gross receipts the employer earned for the same quarter in the prior calendar year. The employer remains eligible until the employer’s gross receipts are 80% of the gross receipts the employer earned for the same quarter in the prior calendar year.
 - iii. Note: An employer that is an “essential” business exempt from a suspension order or a business that is able to operate substantially through telecommuting likely will not qualify for the first eligibility test, but may qualify for the second test.
 - iv. Tax exempt organizations are eligible for the Credit
 - d. “Qualified Wages” depends on the employer’s average number of employees during 2019.
 - e. “Applicable employment taxes” means the employer’s contribution to social security paid on all of its employees under Section 3111(a) of the Tax Code (after reduction for emergency paid family medical leave and paid sick leave as permitted under the Families First Coronavirus Response Act and other permissible credits), plus the employer taxes imposed under Section 3221 of the Tax Code that are attributable to

the amounts paid under Section 3111(a).

14. **Delay of Payment of Employer Payroll taxes.**
 - a. Employers and self-employed individuals may defer payment of the employer share of social security under Section 3111(a) that they are otherwise responsible for paying to the federal government with respect to their employees.
 - b. The Employer or self-employed individual is required to pay the deferred employment tax 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.
 - c. The act confirms the emergency FMLA and sick leave benefits available to employees and advanced tax credits employers can take in providing these benefits.

15. **Transit Systems.** \$25 billion distributed through existing formulas including the Urbanized Area Formula Grants, Formula Grants for Rural Areas, State of Good Repair Formula Grants and Growing and High-Density States Formula Grants using fiscal year 2020 apportionment formulas.

16. **Elections.** Provides \$400 million in election security grants to prevent, prepare for and respond to coronavirus in the 2020 federal election cycle. States must provide an accounting to the Election Assistance Commission on how the funds were spent within 20 days of any 2020 election.

17. **Real ID.** Requires the Department of Homeland Security to extend the Real ID deadline for full implementation by states from Oct. 1, 2020, to Oct. 1, 2021.

18. **National Guard.** \$1.4 billion for deployments of the National Guard. This level of funding will sustain up to 20,000 members of the National Guard, under the direction of the governors of each state, for the next six months in order to support state and local response efforts.

By April 17, 2020, funding in both the PPP and EIDL aspects of the CARES Act (Phase 3.0) had exhausted their initial appropriations, leaving many PPP loan applications pending.

Phase 3.5

On April 24, 2020, H.R.266 - Paycheck Protection Program and Health Care Enhancement Act was signed into law. This bill is the fourth coronavirus emergency relief bill and is called '3.5' because the bill largely provides additional dollars for several key programs in the CARES Act, '3.0.' This supplemental relief bill provides \$484 billion in additional funding to replenish and supplement key programs under the CARES Act, including the Paycheck Protection Program (PPP), small business disaster loans and grants, hospitals and health care providers and testing.
<https://www.congress.gov/bill/116th-congress/house-bill/266/text>

The details follow.

Paycheck Protection Program (PPP): Appropriates an additional \$321 billion in funding, with \$60 billion set aside for small, midsize and community lenders (including minority lenders).

Disaster Loans Program: Appropriates an additional \$50 billion for the Disaster Loans Program and an additional \$10 billion for Emergency Economic Injury Disaster Loan (EIDL) Grants.

HHS Hospital and Provider Grants under the Public Health and Social Services Emergency Fund: Provides an additional \$75 billion to support the need for COVID-19 related expenses and lost revenue due to coronavirus.

Testing: Provides \$25 billion for the HHS Public Health and Social Services Emergency Fund for necessary expenses to research, develop, validate, manufacture, purchase, administer and expand capacity for COVID-19 tests. Requires the Administration to create a national strategy to provide assistance to states for testing and increasing testing capacity.

Testing also requires states, localities, territories and tribes to outline their own testing plans, as well as plans to ease COVID-19 community mitigation strategies. Requires the Secretary to issue reports on testing, which must include de-identified and disaggregated data on demographic characteristics, including, race, ethnicity, age, sex, geographic region and other relevant factors of individuals tested for or diagnosed with COVID-19, as well as information on the number and rates of cases, hospitalizations and deaths as a result of COVID-19.

Specific testing funding is provided for:

- \$11 billion for states, localities, territories and tribes to develop, purchase, administer, process and analyze COVID-19 tests, scale-up laboratory capacity, trace contacts and support employer testing. Funds are also made available to employers for testing.
- \$2 billion provided to states consistent with the Public Health Emergency Preparedness grant formula, ensuring every state receives funding
- \$4.25 billion provided to areas based on relative number of COVID-19 cases.
- \$750 million provided to tribes, tribal organizations, and urban Indian health organizations in coordination with the Indian Health Service.
- \$1.8 billion provided to the NIH to develop, validate, improve and implement testing and associated technologies; to accelerate research, development and implementation of point-of-care and other rapid testing; and for partnerships with governmental and non-governmental entities to research, develop and implement the activities.
- \$1 billion provided to CDC for surveillance, epidemiology, laboratory capacity expansion, contact tracing, public health data surveillance and analytics infrastructure modernization.
- \$1 billion for the Biomedical Advanced Research and Development Authority for advanced research, development, manufacturing, production and purchase of diagnostic, serologic or other COVID-19 tests or related supplies.
- \$22 million for the FDA to support activities associated with diagnostic, serologic, antigen, and other tests and related administrative activities.
- \$825 million for community health centers and rural health clinics.
- Up to \$1 billion may be used to cover costs of testing for the uninsured.

UPDATE: On June 5, 2020, H.R. 7010, the Paycheck Protection Flexibility Act was signed into law. (<https://www.congress.gov/116/bills/hr7010/BILLS-116hr7010eh.pdf>)

The Act makes it easier for recipients of the PPP to qualify for forgiveness by providing for amendments to the PPP as follows.

- **Extension of Covered Loan Period** - The amendment extends the loan forgiveness period from 8 weeks following loan disbursement to 24 weeks following loan disbursement, provided such new loan forgiveness period may not extend past December 31, 2020. This allows borrowers more time to spend the loan proceeds which helps businesses that are still closed or partially closed.
- **Extension of Period of Use of the Loan.** The amendment extends the period for use of the loan from proceeds June 30, 2020 to December 31, 2020.
- **Reduces the 75 Percent Requirement for Payroll costs.** The amendment changes the requirement that 75% of the amount of the loan that is forgiven must be on payroll costs to 60%. This provides more flexibility to spend the money on non-payroll costs such as mortgage interest, rent and utilities.
- **Extension of Deferral Period.** The amendment extends the deferral period from 6 months to the date on which the amount of forgiveness is determined or 10 months after the last day of the covered period if the borrower fails to apply for forgiveness within 10 months.
- **Extension of Safe Harbor Date.** The amendment changes the safe harbor period for rehires from June 30, 2020 to December 31, 2020. This allows businesses more time to bring back furloughed or laid off employees.
- **New Exceptions:** The amendment provides an exception to the requirement that loan forgiveness be reduced if there is a decrease in FTE employees, if the borrower, in good faith, documents (A) its inability to rehire an individual who was an employee of the borrower on or before February 15, 2020; and its inability to hire a similarly qualified FTE employee on or before December 31, 2020 or (B) its inability to return to the same level of business activity at which such business was operating prior to February 15, 2020 due to compliance with government requirements or guidance relating to standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19;
- **Extension of Maturity Date.** The maturity date of the loan has been extended from two years to five years.
- **Payroll Tax Deferral Permitted.** The amendment now allows for borrowers who applied for PPP forgiveness to take advantage of Section 2302 of the CARES Act, which allows companies to delay the payment of payroll taxes.

IRS RESOURCE PAGE:

Coronavirus Tax Relief and Economic Impact Payments

<https://www.irs.gov/coronavirus-tax-relief-and-economic-impact-payments>

Note: Information, federal links, and program availability are SUBJECT TO CHANGE – Check IRS link above + additional pages for official guidance (active links as of 7 June 2020):

- [Individual and Families](#)
- [Business and Tax-exempt Entities](#)
- [Health Plans and Retirement Plans](#)