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

As Passed the Senate March 25th, 2020

HON. JOHN F. MARREN
President

STEPHEN J. ACQUARIO
Executive Director

Counties Working For You

540 Broadway, 5th Floor
Albany, NY 12207

www.nysac.org

518-465-1473
**Introduction**

Congress has enacted two major COVID-19 emergency response bills that have been signed into law that provide funds for a variety of programs and entities to help in the immediate response to the pandemic. The U.S. Senate unanimously passed a third legislative proposal that will provide about $2 trillion in federal fiscal stimulus to help address some of the economic fallout from the planned, temporary shutdown of large segments of the economy to help stop the spread of the virus. The House is expected to pass the fiscal stimulus bill by March 27th. An initial review of the fiscal stimulus proposal is below which provides assistance to individuals, small and large businesses and state and local governments.

Below is a summary of the major provisions of the Senate Republican fiscal stimulus bill passed by the Senate March 25, 2020.

**Coronavirus Relief Fund for States & Local Governments ($150 billion)**

Provides funds to states (and local governments with a population of 500,000 or more) to cover the costs of direct COVID-19 response that were unbudgeted in the most recently adopted state or local government budget and incurred between March 1, 2020 and December 31, 2020.

- $11 billion is set aside for the District of Columbia and the U.S. Territories, with $139 billion available for states based on their overall population (minimum of $1.25B for any state).
  - Based on 2019 census data we estimate the State of New York and its subdivisions would be eligible to apply for reimbursements of about $7.5 billion. Under the bill, at least 55 percent of this amount ($4.13B) is reserved for the state, the remaining amount is available for local governments above 500,000 to apply for reimbursement (New York City; counties of Suffolk, Nassau, Westchester, Erie, Monroe; and Town of Hempstead).
  - Jurisdictions above 500,000 in NYS would be able to apply directly to the federal government to cover their direct COVID-19 local costs based on their share of the statewide population, multiplied by 45% of the amount set aside for the entire state. In this example, NYC which represents about 43% of the statewide population could apply for federal reimbursements of up to $1.45 billion (43% of $3.37 billion not reserved for the state). These are initial NYSAC estimates and we are seeking confirmation of how the calculation will work.

**Small Business Interruption Assistance ($349 billion)**

Payroll Protection Loan Programs – Loans through SBA would be available for the period February 15 1, 2020 through December 31, 2020, for firms with 500 or fewer employees, includes not-for-profits ESOPs, independent contractors, sole proprietors, cooperatives, among others.

- Maximum Loan Amounts – the lessor of the average total monthly payments by the applicant for payroll incurred during the 1-year period before the date on which the loan is made, multiplied by 2.5 or $10,000,000. Fees for loans would be waived. Loan proceeds can be used for general businesses expenses including rent, mortgage, salaries, paid sick leave, utilities, etc.
• Loan Forgiveness – A portion of these loans could be forgiven for a covered period (February 15, 2020 through June 30, 2020). The forgiveness of indebtedness on a covered loan in an amount equal to the cost of maintaining payroll continuity during the covered period. Loan forgiveness reduced if payroll not maintained during loan period.
• Special provisions are included to recognize entrepreneurial enterprises and women- and minority-owned business

**Enhanced Unemployment Compensation**

Federal Pandemic Unemployment Compensation – Unemployment insurance programs are expanded to workers not generally eligible for unemployment in all states including contractors, self-employed, gig economy workers and part time. The bill provides:

• Enhanced unemployment payment of $600 on top of the computed weekly amount in such state. This enhanced payment application period is available through July 31, 2020.
• General unemployment is extended from 26 weeks to 39 under this emergency.
• The pandemic UI benefit is payable to unemployed individuals that may have exhausted regular state and federal UI benefits for any benefit year that ended before July 1, 2019.
• The benefit paid to workers and all administrative costs will be 100% federally funded.
• Federal pandemic UI compensation received by individuals will not be counted as income for purposes of determining eligibility for Medicaid or CHIP benefits.

**Relief for Individuals & Families ($306 billion)**

Tax credits/rebates of up to $1,200 for individuals and $2,400 for couples, with an income cap that begins to phase out at $75,000 (limit is $99,000) in adjusted gross income for an individual and $150,000 (limit is $198,000) for couples based on 2018 or 2019 filed tax returns (the phaseout is 5% of AGI above the threshold amount). Additional $500 per child also part of the package. All recipients must have a valid taxpayer identification number.

• Rebates will be direct deposited by the federal government for taxpayers that have direct deposit details with the IRS after January 1, 2018 and could happen within a few weeks of the bill being signed into law. Others would receive checks in the mail but that is expected to take several weeks or months. No action is required by the tax payer in either case.
• Withdraws from Retirement Accounts – Allows special coronavirus related withdrawals from retirement accounts without penalties. Waives minimum distribution rules for 2020 from 401, 403, 457 and other individual retirement accounts.
• Expands Charitable Deductions – For taxpayers that do not itemize it offers a temporary deduction for tax year’s beginning in 2020, up to $300. Includes other temporary increases and changes to charitable contribution limits.
• Allows Delay in Mortgage Payments for Federally Backed Loans – Allows a borrowing that is directly or indirectly negatively impacted by the COVID-19 emergency to delay mortgage payments for up to 180 days without accruing interest penalties. The borrower must contact their lender to seek this deferral.
Business Tax Assistance ($275 billion)

- Provides Refundable Tax Credits to Small Businesses ($54 billion) – Allows small employers to receive a refundable tax credit against employment taxes and health insurance premiums paid during which time revenues drop significantly due to COVID-19 quarantines or other restrictions on commerce during 2020. Governments (state, federal, local) are not eligible for credits under this section. Employers taking SBA loans described above are not eligible for credits under this section. For salary expenses paid after March 12, 2020 and before January 1, 2021.
- Delay of Estimated Tax Payments & Payroll Taxes ($12 billion) – The proposal provides $350 billion in payment deferrals over the next two years, which is largely paid back in years 3 and 4. The payroll tax deferral period would run from the day the bill is signed through January 1, 2021.
- Modifications to Net operating Losses ($195 billion) – Applies to time periods (going retroactive) carryback and carryforward of losses for tax purposes for corporations, partnerships, LLCs and other businesses that are not corporations.
- Raises Limit on Business Interest Deduction ($13 billion) – Increases the deduction to 50% from 30 percent for tax years 2019 and 2020.

Special Aid to Heavily Impacted Industries, States and Localities ($500 billion in loans)

These provisions are intended “…to provide liquidity to eligible businesses, States, and municipalities related to losses incurred as a result of coronavirus, the Secretary is authorized to make loans, loan guarantees, and other investments in support of eligible businesses, States, and municipalities.” These loans will be paid back with interest and possibly through stock ownership for the government – similar to TARP during the financial crisis.

$500 Billion in loan assistance:
- $25 billion for passenger airlines
- $4 billion for air cargo
- $17 billion for businesses critical to maintaining national security
- $454 billion for all others to improve liquidity to support:
  - purchasing obligations or other interests directly from issuers of such obligations or other interests;
  - purchasing obligations or other interests in secondary markets or otherwise; or
  - making loans, including loans or other advances secured by collateral.
- Interest rates to be set by the federal reserve in an amount that reflects a properly operating market. Special restrictions on private businesses that use this instrument in relation to paying dividends; share buybacks; executive compensation; maintaining employment levels to at least 90 percent of the levels prior to the emergency declaration through September 20, 2020; and/or the requirement to provide warrants, stocks or other equity instruments in the business receiving the loans.
  - This section does not allow for loan forgiveness to reduce the loan amount.
Health Response Provisions
- Enhances coordination between federal agencies in regard to control and utilization of the national public health strategic stockpile.
- Requires a study on the U.S. medical supply chain security and identify vulnerabilities. This includes meeting with stakeholders including local public health officials, among a large swath of private and public health care entities and systems.
- Develop procedures to maintain production of critical medical supplies and equipment, and to expedite treatment approvals during emergencies.
- Requires group health plans and health insurance issuers to not impose cost sharing (deductibles, copays, coinsurance, or need for prior approval) for COVID-19 testing, lab services, office visits, urgent care, etc.
- Provides for supplemental payments to health centers - $1.32 billion.
- Provides additional telehealth grants of $29 million per year for 5 years.
- Additional rural health grants of $80 million per year for 5 years.
- Provides liability protections for volunteer health care workers during the public health emergency for COVID-19. Preempts all related state and local laws.
- Office for Aging – provides flexibility to state and local offices for aging to shift funding between programs as necessary.
  - Expands eligibility in recognition of social distancing practices.
- Prioritizes zoonotic vaccine development.
- HSAs – modifies allowable expenditures to include certain OTC products.

Hospitals & Health Care Providers
- Suspends Medicare sequestration through 2020.
- Provides a 20% add on to Medicare prospective payment system for hospitals for each COVID inpatient case during emergency period.
- Delays DSH cuts until September 30, 2021.
- $100 billion for health care providers (available until expended) – to care for COVID-19 patients, testing, lab work, equipment & workforce needs, retrofitting facilities and increasing surge capacity. Senator Schumer estimates the amount coming to New York facilities could be up to $25 billion in the coming years.
- Community Health Centers – funding is increased from $2.5 billion to $4 billion for in 2020.

Education Provisions
- $30.8 billion for a State Education Stabilization Fund – funding is provided to states through September 30, 2021. New York State currently receives about 7% of federal k-12 education funding. States can use the funds to support state aid to education and to support local school districts directly. Funding is highly flexible but requires a state MOE of no less than the average of the prior 3 years in state funding support to k-12 and higher education. Similar provisions were provided under ARRA and viewed as direct fiscal relief to states by the federal government.
• Waives federal matching fund requirements for institutions of higher learning.
• Expands College Work Study program.
• Suspends federal student loan payments through September 30, 2020 with no interest accumulation during the suspension period.

Paid Leave
Caps Medical and Family Leave Act of 1993 pay to $200 per day, $10,000 in total per employee.
Caps Emergency Paid Sick Leave Act (COVID-19) pay to:
• $511 per day, $5,110 total per employee if;
  • They are unable to work due to being quarantined by federal, state, or local public health official
  • Advised by a public health official to self-quarantine
  • Have symptoms that may lead to COVID-19
• $200 per day, $2,000 in aggregate if:
  • Taking care of an individual as described above
  • Taking care of a child not in school or day care due to COVID-19 precautions
  • Experiencing a similar health condition related to this health emergency

Additional Appropriations
• Agriculture - $9.5 billion available until expended, to prevent, prepare for, and respond to coronavirus by providing support for agricultural producers impacted by coronavirus, including producers of specialty crops, producers that supply local food systems, including farmers markets, restaurants, and schools, and livestock producers, including dairy producers
• Child Nutrition - $8.8 billion available until expended to prevent prepare for and respond to coronavirus
• SNAP - $15.8 billion available until September 30, 2021 to address increases in applications and expenditures due to the public health emergency during this period
• Local Law Enforcement Grants - $850 million allocated through Byrne program
• FEMA – $45 billion for disaster response, available to states and municipalities nationwide
• CDC Grants to states and localities - $1.5 billion for grants to or cooperative agreements with States, localities, territories, tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes, including to carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities
• Child Care Development Block Grant - $3.5 billion
• Airport Grants in Aid - $10 billion
• Transit Grants - $25 billion, an estimated $3.8 billion for the MTA

• Community Development Block Grant - $5 billion; with $2 billion to grantees that received allocations pursuant to that same formula in fiscal year 2020; $1 billion for areas heavily impacted by coronavirus response based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions, and other factors; $2 billion directly awarded to states and localities most heavily impacted by coronavirus.

• Homeless Assistance Grants - $4 billion; half to grantees in same amount as last year and half to states and localities impact most heavily by coronavirus

• Public Health and Social Services Emergency Fund - $27 billion to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally, including the development of necessary countermeasures and vaccines, prioritizing platform-based technologies with U.S.-based manufacturing capabilities, the purchase of vaccines, therapeutics, diagnostics, necessary medical supplies, as well as medical surge capacity, addressing blood supply chain, workforce modernization, telehealth access and infrastructure, and other preparedness and response activities ($16 billion set aside for the Strategic National Stockpile)