



HEALTHCARE BUSINESS MANAGEMENT ASSOCIATION

March 27, 2020

Summary of Employee/Individual/Business provisions in Coronavirus Aid, Relief, And Economic Security (CARES) Act

The following are brief summaries of the major Employee/Individual/Business provisions included in the CARES Act. This summary does NOT include new GRANT programs established to assist certain industries during the COVID-19 pandemic. Summary of those initiatives will be in a separate memo.

The CARES Act was passed by the Senate on 3/25 and by the House of Representatives on 3/27. President Trump is expected to sign the bill into law as soon as it reaches his desk.

NOTE – many of these new authorities and funds are time limited. Where noted in the law, the expiration date of the benefit/program is highlighted.

Unemployment Insurance Provisions

Pandemic Unemployment Assistance

This section creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency.

Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations

This section provides payment to states to reimburse nonprofits, government agencies, and Indian tribes for half of the costs they incur through December 31, 2020 to pay unemployment benefits.

Emergency Increase in Unemployment Compensation Benefits

This section provides an additional \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months.

Temporary Full Federal Funding of the First Week of Compensable Regular Unemployment for States with No Waiting Week

This section provides funding to pay the cost of the first week of unemployment benefits through December 31, 2020 for states that choose to pay recipients as soon as they become unemployed instead of waiting one week before the individual is eligible to receive benefits.

Emergency State Staffing Flexibility

This section provides states with temporary, limited flexibility to hire temporary staff, rehire former staff, or take other steps to quickly process unemployment claims.

Pandemic Emergency Unemployment Compensation

This section provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of state unemployment benefits are no longer available.

Temporary Financing of Short-Time Compensation Payments in States with Programs in Law

This section provides funding to support “short-time compensation” programs, where employers reduce employee hours instead of laying off workers and the employees with reduced hours receive a pro-rated unemployment benefit. This provision would pay 100 percent of the costs they incur in providing this short-time compensation through December 31, 2020.

Temporary Financing of Short-Time Compensation Agreements

This section provides funding to support states which begin “short-time compensation” programs. This provision would pay 50 percent of the costs that a state incurs in providing short-time compensation through December 31, 2020.

Grants for Short-Time Compensation Programs

This section provides \$100 million in grants to states that enact “short-time compensation” programs to help them implement and administer these programs.

Waiver of the 7-day Waiting Period for Benefits under the Railroad Unemployment Insurance Act

This section temporarily eliminates the 7-day waiting period for railroad unemployment insurance benefits through December 31, 2020.

Enhanced Benefits under the Railroad Unemployment Insurance Act

This section provides an additional \$600 per week payment to each recipient of railroad unemployment insurance or Pandemic Unemployment Assistance for up to four months.

Extended Unemployment under the Railroad Unemployment Insurance Act

This section provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of regular unemployment benefits are no longer available.

Individual Provisions

2020 recovery rebates for individuals

All U.S. residents with adjusted gross income from \$0 - \$75,000 (\$150,000 married), who are not a dependent of another taxpayer and have a work eligible social security number, are eligible for the full \$1,200 (\$2,400 married) rebate. In addition, they are eligible for an additional \$500 per child.

The rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold. The amount is completely phased-out for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children.

Special rules for use of retirement funds

This provision waives the 10-percent early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020. In addition, income attributable to such distributions would be subject to tax over three years, and the taxpayer may retribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions. The provision provides flexibility for loans from certain retirement plans for coronavirus-related relief.

Temporary waiver of required minimum distribution rules for certain retirement plans and accounts

The provision waives the required minimum distribution rules for certain defined contribution plans and IRAs for calendar year 2020. This provision provides relief to individuals who would otherwise be required to withdraw funds from such retirement accounts during the economic slowdown due to COVID-19.

Allowance of partial above the line deduction for charitable contributions

The provision encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of cash contributions, whether they itemize their deductions or not.

Modification of limitations on charitable contributions during 2020

The provision increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50-percent of adjusted gross income limitation is suspended for 2020. For corporations, the 10-percent limitation is increased to 25 percent of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15 percent to 25 percent.

Exclusion for certain employer payments of student loans

The provision enables employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute 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.

Business Provisions

Employee retention credit for employers subject to closure due to COVID-19

The provision provides a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shutdown order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. The credit is provided for wages paid or incurred from March 13, 2020 through December 31, 2020.

Delay of payment of employer payroll taxes

The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. The provision requires that the deferred employment tax be paid 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. The Social Security Trust Funds will be held harmless under this provision.

Modifications for net operating losses

The provision relaxes the limitations on a company's use of losses. Net operating losses (NOL) are currently subject to a taxable-income limitation, and they cannot be carried back to reduce income in a prior tax year. The provision provides that an NOL arising in a tax year beginning in 2018, 2019, or 2020 can be carried back five years. The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income. These changes will allow companies to utilize losses and amend prior year returns, which will provide critical cash flow and liquidity during the COVID-19 emergency.

Modification of limitation on losses for taxpayers other than corporations

The provision modifies the loss limitation applicable to pass-through businesses and sole proprietors, so they can utilize excess business losses and access critical cash flow to maintain operations and payroll for their employees.

Modification of credit for prior year minimum tax liability of corporations

The corporate alternative minimum tax (AMT) was repealed as part of the Tax Cuts and Jobs Act, but corporate AMT credits were made available as refundable credits over several years, ending in 2021. The provision accelerates the ability of companies to recover those AMT credits, permitting companies to claim a refund now and obtain additional cash flow during the COVID-19 emergency.

Modification of limitation on business interest

The provision temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30-percent limitation to 50 percent of taxable

income (with adjustments) for 2019 and 2020. As businesses look to weather the storm of the current crisis, this provision will allow them to increase liquidity with a reduced cost of capital, so that they are able to continue operations and keep employees on payroll.

Technical amendment regarding qualified improvement property

The provision enables businesses, especially in the hospitality industry, to write off immediately costs associated with improving facilities instead of having to depreciate those improvements over the 39-year life of the building. The provision not only increases companies' access to cash flow by allowing them to amend a prior year return, but also incentivizes them to continue to invest in improvements as the country recovers from the COVID-19 emergency.

Temporary exception from excise tax for alcohol used to produce hand sanitizer

The provision waives the federal excise tax on any distilled spirits used for or contained in hand sanitizer that is produced and distributed in a manner consistent with guidance issued by the Food and Drug Administration and is effective for calendar year 2020.