

Summary of CARES Act Provisions Related to Employment

Unemployment Insurance Expansion:

Pandemic Unemployment Assistance

- Program for self-employed, independent contractors, and workers with insufficient employment history to qualify for regular UI
- Individuals are eligible if:
 - Not eligible for UI, including someone who has exhausted UI
 - Self-certified that they are otherwise able and available to work but cannot work or are unemployed because:
 - Diagnosed w/ or symptomatic for COVID-19
 - Household member is diagnosed with COVID-19
 - Caring for a family member with COVID-19
 - Child's school or childcare is closed
 - Quarantined because of COVID-19
 - Advised by health care provider to self-quarantine
 - Unable to start job as a result of COVID-19
 - Head of household died from COVID-19
 - Quit job because of COVID-19
 - Place of employment closed because of COVID-19
 - Additional criteria as established by Sec. of Labor
 - Self-employed or otherwise would not qualify for UI
- Not eligible if:
 - Able to telework or
 - Receiving paid sick leave or paid leave benefits
- Covers unemployment from 1/27/2020 to 12/31/2020
 - Secretary of Labor will establish a process to back pay benefits.
- Can receive up to 39 weeks of benefits
- Weekly benefits equal to amount permitted under State UI law plus \$600 per week (Federal Pandemic Unemployment Compensation)
 - Based on income in last completed tax year
 - Minimum weekly benefit is 50% of State average weekly UI benefit
- No waiting period
- Federal government will reimburse State for cost of benefits and any associated administrative costs

Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations

- Reimburses nonprofits and governmental entities for 50% of the amounts paid to State unemployment program
 - Covers period from 3/13/2020 to 12/31/2020
- Directs Secretary of Labor to issue guidance regarding flexibility for payment and assessment of penalties/interest

Emergency Increase in Unemployment Compensation Benefits

- Provides for payment of regular UI amount plus \$600 per week (Federal Pandemic Unemployment Compensation) for up to four months
 - Federal Pandemic Unemployment Compensation amount is disregarded for purposes of determining eligibility for Medicaid or CHIP
- Provides for reimbursement to state of amount of additional compensation and any related administrative expenses
- State is prohibited from reducing State UI benefits during period that Federal Pandemic Unemployment Compensation is available
- Runs through 7/31/2020

Pandemic Emergency Unemployment Compensation

- Provides for 13 weeks of extended benefits for individuals who have exhausted regular unemployment benefits
- Regular UI amount plus \$600 per week (Federal Pandemic Unemployment Compensation)
- Allows State to provide flexibility regarding work search requirement in light of COVID-19 issues such as illness, quarantine, and movement restriction
- Applies through 12/31/20

Miscellaneous Provisions

- Full federal funding for first week of benefits in states (like VT) without a waiting period through 12/31/2020
- Allows for additional State UI Program staffing flexibility through 12/31/2020
- Short-Time Compensation
 - Reimburses states for 100% of STC benefits paid through 12/31/2020

Individual Provisions

2020 Recovery Rebate for Individuals

- Tax credit to low- and middle-income families
 - \$1,200 for individual earning \$75,000, which diminishes by 5% of any income in excess of \$75,000 (phases out at \$99,000 if no children)

- \$1,200 for a head of household earning up to \$112,500, which diminishes by 5% of any income in excess of \$112,500 (phases out at \$146,500 if one child)
- \$2400 for a couple earning up to \$150,000 which diminishes by 5% of any income in excess of \$150,000 (phases out at \$198,000 if no children)
- Credit is increased by \$500/child
- Individuals who have no income or whose income comes entirely from non-taxable means-tested benefit programs, such as SSI, also qualify for this rebate

Miscellaneous Provisions

- Temporary waiver of early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for COVID-19 related purposes
- Temporary waiver of required minimum distribution rules for certain defined contribution plans and IRAs during 2020
- Various modifications to encourage charitable giving through increased deductions
- Exclusion of certain student loan repayments from employees' income

Aid to Small Businesses and Independent Contractors

ACCD has created a helpful and detailed guide to the small business assistance provided through the CARES Act, which is available at:

<https://accd.vermont.gov/sites/accdnew/files/documents/Small-Business-Owners-Guide-CARES-Act.pdf>

- \$349 billion loan program for small businesses known as the Paycheck Protection Program
- Individuals who operate under a sole proprietorship or as an independent contractor and certain self-employed individuals will be eligible for loans through the SBA
- Loans are for 2.5x the business' average monthly payroll cost plus the amount of any outstanding Economic Injury Disaster Loan made since 1/31/2020 up to a maximum of \$10 million
 - Loans can be used for:
 - Payroll costs
 - Benefit costs
 - Salaries and other compensation
 - Mortgage interest
 - Rent
 - Utilities
 - Interest on any previously acquired debt
 - To refinance an Economic Injury Disaster loan issued between 1/31/2020 and the date PPP loans become available
 - No personal guarantee or collateral required to obtain a loan
 - Max interest rate of 4%

- 6 months to 1 year of payment deferment
- Recipients are eligible for loan forgiveness for the amounts spent during the 8 weeks after origination of loan on:
 - Payroll costs
 - Mortgage interest
 - Rent
 - Utilities
 - Actual amount forgiven equals forgivable amounts multiplied by fraction obtained by dividing average FTEs/month during first 8 weeks after loan originated by either:
 - Average FTEs/month between 2/15/19 and 6/30/19 (only option for seasonal employers); or
 - Average FTEs/month in January and February 2020
 - Amount forgiven also reduced by any reduction in an employee's salary of more than 25% compared to most recent full quarter before loan origination
 - Reduction in FTEs not considered if employer eliminates that reduction (i.e. rehires all employees) by 6/30/2020 and reduction in salary/wages not considered if eliminated by 6/30/2020
- Also appropriates \$10 billion for Economic Injury Disaster Loan Grants
 - Provide an immediate advance grant of up to \$10,000 on small business loans
 - Business owner does not need to repay the advance grant, regardless of whether loan is ultimately approved
 - However, advance may be deducted from amount of loan forgiveness if business switches to a loan under the Paycheck Protection Program

Employee Retention Tax Credit

- Refundable credit against employment taxes that is equal to 50% of the qualified wages of each employee (up to \$10,000 including health benefits)
- Credit is available for:
 - Quarters in which business was partially or fully suspended because of COVID-19; or
 - Any quarter in which gross receipts were less than 50% of the same quarter in the prior year (ends with the first quarter when receipts exceed 80% of the previous year)
- Covers period from 3/13/2020 through 12/31/2020

Miscellaneous Provisions

- Delay of payment of employer payroll taxes over 2 years (50% due 12/31/2021 and 50% due 12/31/2022)

- Modification of use of net operating losses for tax purposes to allow full offset of income and amendment of prior year returns
 - Similar provision for pass-through businesses and sole proprietors
- Acceleration of availability of Corporate Alternative Minimum Tax Credits.
- Increase in amount of interest expenses that businesses can deduct on tax returns for 2019 and 2020
- Technical amendment allowing businesses (especially hospitality industry) to write off the cost of facilities improvements
- Temporary exception for 2020 from excise tax on distilled spirits used for hand sanitizer
- Funds for entrepreneurial development related to counseling, training, and education on SBA resources and business resiliency to small business owners affected by COVID-19
- Waiver of non-federal match requirement for Women's Business Center Program
- Additional funding for Minority Business Centers for counseling, training, and education on federal resources and business response to COVID-19 for small businesses
- Subsidy for certain loan repayments