

## Preliminary 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 child care 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 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)
- No waiting period
- Reimburses 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.
- 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.

#### 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 employee's income.

### **Aid to Small Businesses and Independent Contractors**

- \$349 billion loan program for small businesses.

- 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 SBA 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; and
    - To refinance any SBA loan issued since 1/31/2020.
  - 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
    - Under certain circumstances, may be reduced by reductions in compensation in excess of 25% for any employee relative to the prior year.
    - Forgiven amounts are not taxable.
- Also appropriates \$10 billion for Economic Injury Disaster Loan Grants
  - Provide an immediate advance on small business loans

#### 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 right 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