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.
  o 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.
  o No personal guarantee or collateral required to obtain a loan.
  o Max interest rate of 4%.
  o 6 months to 1 year of payment deferment.
  o 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
  o 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:
  o Quarters in which business was partially or fully suspended because of COVID-19; or
  o 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.
  o 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