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Coronavirus Aid, Relief, and Economic Security Act (CARES) Fact Sheet and Q&A

Updated April 10, 2020; 9:46:01 AM

On March 27, 2020 President Trump signed the *Coronavirus Aid, Relief, and Economic Security Act (CARES)*, also known as the Phase III Stimulus bill. The purpose of this document is to provide you with information related to the unemployment, tax, federal aid and business provisions of the Act.

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Unemployment Insurance

These programs have end dates of December 31, 2020 unless otherwise specified.

Pandemic Unemployment Assistance (PUA) - Unemployment benefits to individuals who do not qualify for regular unemployment compensation and are unable to work because of the COVID-19 public health emergency - self-employed workers (including gig workers and independent contractors), part-time workers, and those with limited work histories.

PUA will be state administered but federally funded. People are asked not to apply for these funds until the federal government establishes a process.

Pandemic Emergency Unemployment Compensation - Makes available an additional 13 weeks of federally funded unemployment compensation for individuals who have exhausted their state unemployment benefits through December 31, 2020.

Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations

- Reduces the amount by which nonprofits, Indian Tribes, and governmental entities are required to reimburse states for benefits paid to their workers who claim unemployment insurance by 50 percent through December 31, 2020.

Emergency Increase in Unemployment Compensation - Adds \$600 in Federal Pandemic Unemployment Compensation to every weekly unemployment benefit, effective until July 31, 2020.

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

- Allows states to enter into an agreement with the federal government to receive full reimbursement for the total amount of unemployment compensation paid to individuals for their first week of unemployment, provided that the state does not have a waiting week between applying for and receiving benefits.

Temporary Financing of Short-Time Compensation in States with Programs in Law - Provides 100 percent federal reimbursement to states for payments made under qualifying short-time compensation programs (also known as work sharing programs) through December 31, 2020.

State and Local Aid

Coronavirus Relief Fund – Money to states for necessary expenditures incurred in responding to the coronavirus outbreak, including building field hospitals and buying ventilators, as well as to offset the cost of other essential government services not budgeted for and incurred between March 1, 2020 and December 31, 2020. The U.S. Treasury must allocate funds to states within 30 days based on a state's population, although every state will be guaranteed at least \$1.25 billion.

Employees

Recovery Rebates —The federal government is issuing checks of \$1,200 for an individual, \$2,400 for a married couple \$500 for children under the age of 17:

The threshold amounts are (based on 2018 income tax return or 2019 if filed):

- \$75,000 for single filers
- \$150,000 for joint filers
- \$115,500 for heads of households

Based on the phase out formula, the rebates will be completely phased out for single filers at \$99,000 of AGI, \$198,000 of AGI for joint filers and \$136,500 for heads of households.

Relief for Use of Retirement Funds - A waiver of the 10 percent penalty on early withdrawals (up to a withdrawal of \$100,000) when made to cover expenses related to the current pandemic. The measure provides increased flexibility for loans from these plans for coronavirus-related expenses (someone who is diagnosed with COVID-19, whose spouse is so diagnosed, who experiences adverse financial consequences as a result of the pandemic, or other factors as determined by the Secretary of Treasury).

Temporary Waiver of Required Minimum Distribution Rules - The required minimum distribution rules are waived for certain defined contribution plans and individual retirement accounts (IRAs). Individuals who otherwise would be required to take distributions will not be required to do so during calendar year 2020.

Above-the-Line Deduction - A charitable deduction on income taxes for up to \$300, even for people who don't itemize and relaxation for certain limits for those who do.

Student Loan Income Tax Relief. An employer now may pay an employee's student loan obligations and such payments will not constitute taxable income to the employee. This benefit is subject to the current \$5,250 cap on overall employer-provided educational assistance.

Employers

Payroll Tax Deferral. Employers now may delay payment of the employer share of payroll taxes (currently 6.2 percent) through the end of calendar year 2020. These deferred payroll taxes must be paid back in equal installments over two years, with the first payment due by December 31, 2021 and the second payment due by December 31, 2022.

Payroll Tax Credit. A refundable payroll tax credit equal to 50 percent of qualified wages applies from March 13 through December 31, 2020 if:

- A company's operations were fully or partially suspended, or
- A company's gross receipts declined more than 50% when compared to the same quarter of 2019.
- This credit is limited to the first \$10,000 of qualified wages, including health benefits, meaning that the maximum credit amount per employee is \$5,000.

Paycheck Protection Loans. Small businesses with fewer than 500 employees are eligible to receive a federal loan of up to \$10 million. The loans may be used to cover payroll, paid vacation time or parental, family, medical or sick leave, costs associated with the continuation of group health care benefits, retirement benefits, rent, utilities, and certain other debts. Subject to certain conditions, the portion of the loan used for these purposes may be eligible for forgiveness, and the amount of the loan forgiven will not be considered gross income for federal income tax purposes.

Corporate AMT Credit Refunds - Accelerates the ability of companies to receive refunds of AMT credits in tax years beginning in 2019. Alternatively, companies could elect to claim the entire refundable AMT credit in tax years beginning in 2018.

Miscellaneous Business Provisions

There are several technical corporate tax changes, including Modified Limits on Business Losses for Noncorporate Taxpayers; Modification of Credit for Prior Year Minimum Tax Liability of Corporations; Modifications for Net Operating Losses; Modifications of Limitation on Business Interest and Bonus Depreciation for Qualified Improvement Property.

Section 163(j) changes - Increase the 30 percent adjusted taxable income limitation to 50 percent for tax years beginning in 2019 and 2020. For 2019, this provision does not apply to partnerships - partners may deduct 50 percent of their distributive share of the partnership's excess business interest in 2020 without regard to Section 163(j). The provision also allows a taxpayer to elect to use its 2019 adjusted taxable income for its 2020 limitation.

How do I get more information?

US Government Sources

[Comprehensive Q&A prepared by the US House of Representatives Committee on Small Business](#)

Other

[Nutter Law COVID-19 resources](#)

Who can I call at AIM?

AIM members can contact Robert Rio, Senior Vice President for Government Affairs at 617-262-1180 or rrio@aimnet.org. To learn more about AIM contact membership@aimnet.org or www.aimnet.org