



## OVERVIEW OF THE CARES ACT AND RESOURCES AVAILABLE FOR BUSINESSES

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**On March 25, the U.S. Senate passed the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act), a \$2 trillion stimulus package that is the third phase of the federal government’s response to the COVID-19 emergency. The U.S. House is scheduled to vote on the bill on Friday. It is expected to pass and the president has indicated that he will sign it. The following are a high-level summary of key provisions. The full bill text is available [here](#).**

Division A- Keeping Workers Paid and Employed, Health Care System Enhancements, and Economic Stabilization

### **Title I- Keeping American Workers Paid and Employed Act**

The act amends the Small Business Act to create a new Business Loan Program Category and includes paycheck protection and loan forgiveness, and small business contracting relief. Specifically, the act allows the Small Business Administration to provide federally-backed loans up to \$10 million to eligible businesses for their payroll support, such as employee salaries, paid sick or medical leave, insurance premiums, mortgage, rent and utility payments.

These loans will be forgiven if the employer meets certain thresholds regarding the retention of its employees. Employers are even allowed to re-hire employees that have been laid off or furloughed as a result of the crisis. The act also waives the personal guarantee requirement which normally makes a SBA loan unattractive.

The act also allows businesses, which were operating on February 15 and had a pending or approved loan application under this act, to be qualified for complete payment deferment relief for six months to one year. This is important because it allows employers to retain their cash flow to pay other expenses (namely payroll) during the crisis instead of devoting it to debt payments on SBA loans.

The provisions of this Title are discussed in more detail by Bell Nunnally's Commercial Finance team [here](#).

## **Title II- Assistance for American Workers, Families, and Businesses**

The big headline in this section is the direct cash payments (called recovery rebates) of up to \$1,200 (\$2,400 for joint filers) per person. The amounts are increased by \$500 per child. To be eligible, a taxpayer must make less than \$75,000 (\$150,000 for joint filers and \$112,500 for heads of household). U.S. Treasury Secretary Mnuchin stated that his hope is to have checks out in the next three weeks. These direct cash payments will be made to qualifying taxpayers whether they have a job or have been laid off/furloughed.

The act also includes unemployment insurance and tax relief for individuals and businesses. Specifically, the act provides federal funding for unemployment compensation to those not traditionally eligible for unemployment benefits (i.e., self-employed, independent contractors, those with limited work history and others) if such workers are not otherwise covered by or have exhausted benefits under state unemployment compensation law. It also expands the amount of money a person can receive under unemployment and extends the length of time which they can receive it.

Additionally, the act provides employee retention credits, postpones employer payroll taxes, suspends certain changes to the loss provisions made by the Tax Cuts and Jobs Act, accelerates the ability for businesses to recover AMT credits, temporarily increases the limitation on interest deductions imposed by the Tax Cuts and Jobs Act, exempts excise taxes for alcohol used to produce hand sanitizers through December 31 and adopts a few Tax Cuts and Jobs Act technical corrections.

The provisions of this Title will be discussed in more detail by Bell Nunnally's Labor & Employment team [here](#).

## **Title III- Supporting America's Health Care System in the Fight Against the Coronavirus**

The act includes provisions related to medical supplies, health care coverage, and paid sick and family medical leave. Specifically, the act expands the types of testing that would be covered with no cost sharing beyond the scope contemplated by the Families First Act. The act also makes changes to paid sick leave and family leave provisions from the Families First Act.

The provisions of this Title will be discussed in more detail by Bell Nunnally's Healthcare team [here](#).

## **Title IV- Economic Stabilization and Assistance to Severely Distressed Sectors**

The Act includes relief to airlines, financial institutions and sectors critical to national security. Specifically, the act provides \$500 billion to Treasury's Exchange Stabilization Funds for loans, loans guarantees and

investments in order to support eligible businesses (i.e., air carriers and U.S. businesses without “adequate economic relief”) as well as states and municipalities.

#### **Title V- Coronavirus Relief Funds**

The act provides \$150 billion for states, territories, Indian Tribes and local governments.

The Coronavirus Aid, Relief, and Economic Security Act text can be found [here](#).

More resources will be available in Bell Nunnally's [COVID-19 Legal Resource Center](#) over the coming days and weeks once legislation is adopted and regulations are issued.

## Related Practices

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Intellectual Property