

Coronavirus Aid, Relief, and Economic Security (CARES) Act Summary

Healthcare, Education, States and Local Governments, SBA Loans, Tax Benefits, Treasury Stabilization Fund

Healthcare

- Hospitals, health systems, and healthcare providers
 - \$100 billion fund run through the Public Health and Social Services Emergency Fund (PHSSEF).
 - Covers non-reimbursable expenses:
 - Ex: Retrofitting new ICUs, increasing staffing or training, personal protective equipment, building of temporary structures.
 - Lost revenue from canceled procedures.
 - HHS will review applications on a rolling basis.
 - More information will be available as soon as guidance is released from HHS.
 - \$3.5 billion for the development and purchasing of vaccines and therapeutics for COVID-19.
 - \$16 billion for the Strategic National Stockpile for personal protective equipment and other medical supplies.
 - \$1.5 billion for state and local public health activities.
 - \$200 million for the Center for Medicare & Medicaid Services (CMS) to be used for program management.
 - \$250 million for hospital preparedness.
 - \$1.32 billion for community health centers.
- Medicare
 - Acute care hospitals, critical access hospitals (CAHs), children's hospitals, and prospective payment system-exempt cancer hospitals (PCHs) will be able to request accelerated Medicare payments for inpatient hospital service—for six months of Medicare services.
 - Temporarily suspends sequestration-mandated cuts on Medicare claims from May 1, 2020 through December 31, 2020.
 - Allows more healthcare providers to provide telehealth services to Medicare beneficiaries.
 - Prevents scheduled Medicare payment cuts for clinical diagnostic laboratory tests furnished to Medicare beneficiaries in 2021.
- Medicaid
 - Delays scheduled reductions in Medicaid disproportionate share hospital payments through November 30, 2020.
 - Under the Families First Coronavirus Response Act of 2020 states are able to receive the Medicaid 6.2% FMAP increase.

Education

- The CARES Act provides \$14 billion for colleges and universities and at least \$13.5 billion for K-12 schools.
 - College and Universities:
 - Students:
 - Temporary student loan relief: all loan and interest payments would be deferred through September 30, 2020 without penalty to the borrower for all federally owned student loans.
 - Work study funds: It allows schools to turn unused work-study funds into supplemental grants and continue paying work study wages while schools are suspended.
 - Students who are forced to drop out: Students who drop out of school as a result of the coronavirus would not have that time away from school deducted from their lifetime limits on subsidized loan and Pell Grant eligibility. Those students would also not be asked to pay back any grants or other aid they have already received.
 - K-12 schools:
 - Education Stabilization Fund: Protects jobs and paying staff while school is out of session, pays for Internet-connected devices and equipment for districts moving to remote learning.
 - The bill aims to continue feeding students with \$8.8 billion for child nutrition programs.
 - The bill also gives the Secretary of Education the authority to grant states waivers from various federal education laws and regulations, including testing and accountability.

State, Local, and Tribal Governments

- The CARES Act establishes a \$150 billion “Coronavirus Relief Fund” for state, local, and tribal governments to use to cover any costs related to COVID-19 (direct aid)
 - \$139 billion of these funds will be shared among the 50 states proportionally by population with each state receiving at least \$1.25 billion.
 - If a local government applies for and is certified by the Department of the Treasury to receive a payment from the fund, it must be made directly to the local government and that amount will be subtracted from the allocation of the state that the local government is in.
 - A unit of local government is a county, municipality, town, township, village, parish, borough, or other unit of general government below the state level with a population that exceeds 500,000.
 - The funds shall be distributed to states and units of local governments no later than 30 days after the enactment of the bill. The funds may only be used for 1) “necessary expenditures” related to COVID-19; 2) are not accounted for the budget most recently approved as of the date of enactment of this section for the State or

government; 3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

- Distribution of Coronavirus Relief Fund
 - Florida's total distribution: \$8.33 billion.
 - Requires payments be made to governments within 30 days of enactment (the IG will monitor the disbursement and use of relief funds).
- In addition to this fund, the CARES Act rewards more than \$270 billion to state, local, and tribal governments across existing programs:
 - \$1.5 billion to support economic development grants for states and communities suffering economic injury as a result of the coronavirus.
 - \$850 million in Department of Justice Byrne JAG grants to state, local, and tribal officers in responding to coronavirus.
 - \$400 million in election security grants to states.
 - \$345 million to states and local governments to respond to worker layoffs as a result of the coronavirus.
 - \$1.5 billion to state local governments for public health preparedness and response.
 - \$3.5 billion for Child Care and Development Block Grants to states to prevent childcare centers from closing.
 - \$25 billion to transit providers, including state and local governments, for operating and capital expenses that will be distributed using existing Federal Transit Administration formulas.
 - \$45.4 billion to FEMA for response and recovery activities and reimbursements provided to states and localities nationwide by the Disaster Relief Fund for emergency and major disaster declarations, as well as funding for FEMA facilities and information technology required to support FEMA's lead role in coordinating federal response activities. The bill also includes \$400 million for grants that can be disbursed in a timely manner for firefighters, emergency managers, and providers of emergency food and shelter.

SBA Loans

Paycheck Protection SBA Loans | CARES Act Section 1102

- \$350 billion for individual loans up to \$10 million through approved lenders.
 - Can cover employee salaries, paid sick or medical leave, insurance premiums, mortgage/rent, and utility payments between February 15, 2020 and June 30, 2020.
 - Maximum amount of loan is 2.5 months of regular payroll expenses (cap \$100,000 of annual salary per employee).
 - Borrowers are eligible for loan forgiveness equal to the amount spent during the eight-week period after the origination date.
 - Eligible businesses include:
 - Businesses with fewer than 500 employees.

- Small businesses defined as by the SBA.
- 501(c)(3) nonprofits.
- Hotels, motels, restaurants and franchises with fewer than 500 employees at each physical location.
- Businesses that receive financial assistance from the Small Business Investment Act Company.
- Sole proprietors and independent contractors.

Tax Benefits

New Employee Retention Payroll Tax Credit | CARES Act Section 2301

- Employer whose business was impacted by COVID-19 government order, or that had a decline in gross receipts, or that is tax exempt may be able to receive a payroll tax credit of as much as \$5000 per employee — for wages and health benefits paid after March 12, 2020 and before January 1, 2021.
 - Credit is based on whether employer has more than 100 full time employees.
 - If employer has more than 100 full-time employees, qualified wages include if employees are paid, but are not able to work.
 - If employer has 100 or less full-time employees, all wages qualify.
 - *Credit is equal to 50 percent of the qualified wages, but not more than \$10,000 per employee.*

Employer Payroll Tax Delay | CARES Act Section 2302

- Employers can defer 6.2 % of the social security payroll tax due for rest of year until end of 2021, 2022.
- The deferral period will start when the CARES act is signed.
 - Half of the deferred amount will be due December 31, 2021, and the other half will be due December 31, 2022.
- *If you apply and receive an SBA loan that is forgiven under the act—you will not be eligible.*

Net Operating Loss (NOL) Rule | CARES Act Section 2303

- Losses arising in 2018, 2019 and 2020 can be carried back to the five preceding years.

Interest Expense Deduction | CARES Act Section 2306

- A corporation can deduct the interest expense it pays on its loan, as long as it does not exceed 50% (up from 30%) of company's adjusted taxable income for 2019 and 2020.
 - Corporations can use their 2019 adjusted taxable income for 2020.

Qualified Improvement Property Deduction | CARES Act Section 2307

- Expenses that are used for qualified improvement of properties can be written off retroactively to a property placed in service in 2018 and beyond.

\$500 billion to Treasury's Exchange Stabilization Fund

- Direct lending from the Treasury Department
 - \$25 billion for passenger air carriers.
 - \$4 billion for air cargo carriers.
 - \$17 billion for businesses important to maintaining national security.
 - \$454 billion for loans, loan guarantees, and investments (*For Large Businesses, additional provisions below for Mid-Size businesses*).
 - Treasury Secretary has broad discretion.
 - None of the loans are eligible for forgiveness.
 - For one year after repayment, borrowers can't engage in stock buy backs.
 - Borrower must be domiciled in the U.S. and has significant operations and a majority of its employees in the U.S.
 - Duration should be as short as possible and not to exceed five years.
 - Borrower can't outsource jobs for the term of the loan and for two years after loan is repaid.
 - Borrower must, until September 30, 2020, maintain employment levels as of March 24, 2020 to the extent practicable, and can't decrease more than 10% from that date.
 - Employee Compensation
 - Prohibits increasing compensation for any officer or employee whose total compensation exceeds \$425,000, or from receiving severance pay or other benefits which exceeds twice their total compensation—for one year after the loan is no longer outstanding.
 - Officers or employees making over \$3 million in 2019 are prohibited from exceeding \$3 million by more than 50% in the ensuing year.
- **Mid-Sized Business Loans**
 - CARES Act encourages the Treasury Secretary to work with the Federal Reserve to establish this facility (Mid-Sized Business Loans Facility).
 - New facility that would provide financing to banks and other lenders to make direct loans to businesses between 500 and 10,000 employees.
 - Annualized rate not greater than two percent, no principal or interest due for at least six months.
 - No statutory limit on loan amount (may be clarified in Treasury guidance/regulation).
 - Loan must be used for continuing operations.

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- Must be used to retain 90% of workforce that existed as of February 1, 2020 and to reestablish compensation and benefits to employees no later than four months after public health emergency ends.