U.S. CHAMBER OF COMMERCE

The Federal CARES Act

MAJOR PROVISIONS | IMPLEMENTATION | RESOURCES

Overview & Major Provisions for Individuals

$2 Trillion Package

- Through the Federal Reserve potential for additional $4 trillion in support for the economy
- Referred to as the "Phase 3" Bill

Automatic Payments to Individual Taxpayers

- $1,200 per individual ($2,400 joint return) + $500 per child
- Phased out for incomes above $75,000 ($150,000 joint)

Expanded Unemployment

- Most restrictions on eligibility suspended if related to COVID-19
- Additional $600 per week on top of regular state benefit (through July 31)
- Eligibility ends when individual can return to work
- Benefits provided through State UI offices

Major Provisions for Employers

All Employers

- Tax Changes
- Employee Retention Credit

Larger Employers

- Loans, Loan Guarantees, Federal Reserve Credit Facilities

Small Businesses, Self-Employed, Independent Contractors, & Non-Profits

- Paycheck Protection Program
- SBA Economic Injury Disaster Loans (EIDL)

All Employers

Payroll Taxes

- Delay payment of employer payroll taxes (Social Security) between now and 1/1/21
- 50% due 12/31/21 and 50% due 12/31/22
- Does not apply to employers who have loans forgiven under Paycheck Protection Program

Tax Changes

- Net Operating Loss (NOL) for '18, '19, & '20 can be carried back 5 years, suspend 80% limitation, extends to pass-throughs and sole proprietors
- Accelerate recovery of AMT credits
- Election to increase limit on interest deductibility to 50% for '19 & '20
- Qualified Improvement Property (QIP) fix

All Employers

Employee Retention Credit

- Employers fully or partially shutdown or with 50% drop in gross receipts in a quarter compared to prior year (until return to 80%)
- Refundable tax credit for 50% of the wages (including employers health plan expenses) paid by the employer up to $10,000 per employee
- Employers with more than 100 employees applies to employees not providing services
- Employers with 100 or less employees applies to all employees paid during the eligible period
- Employers are not eligible if they receive a Paycheck Protection Program loan
- Allows for advance payment of the credit

Mid-Size & Larger Employers

Loans, Loan Guarantees, Federal Reserve Credit Facility

- $454 Billion to the Treasury Department for loans, loan guarantees, or to support Federal Reserve Credit Facilities
- Special programs for airline industry and critical national security businesses
- Restrictions on stock-buy-backs and executive compensation
- Likely to see new programs through the Federal Reserve that will support lending by financial institutions to businesses

Small Businesses, Self-Employed, ICs, Non-Profits

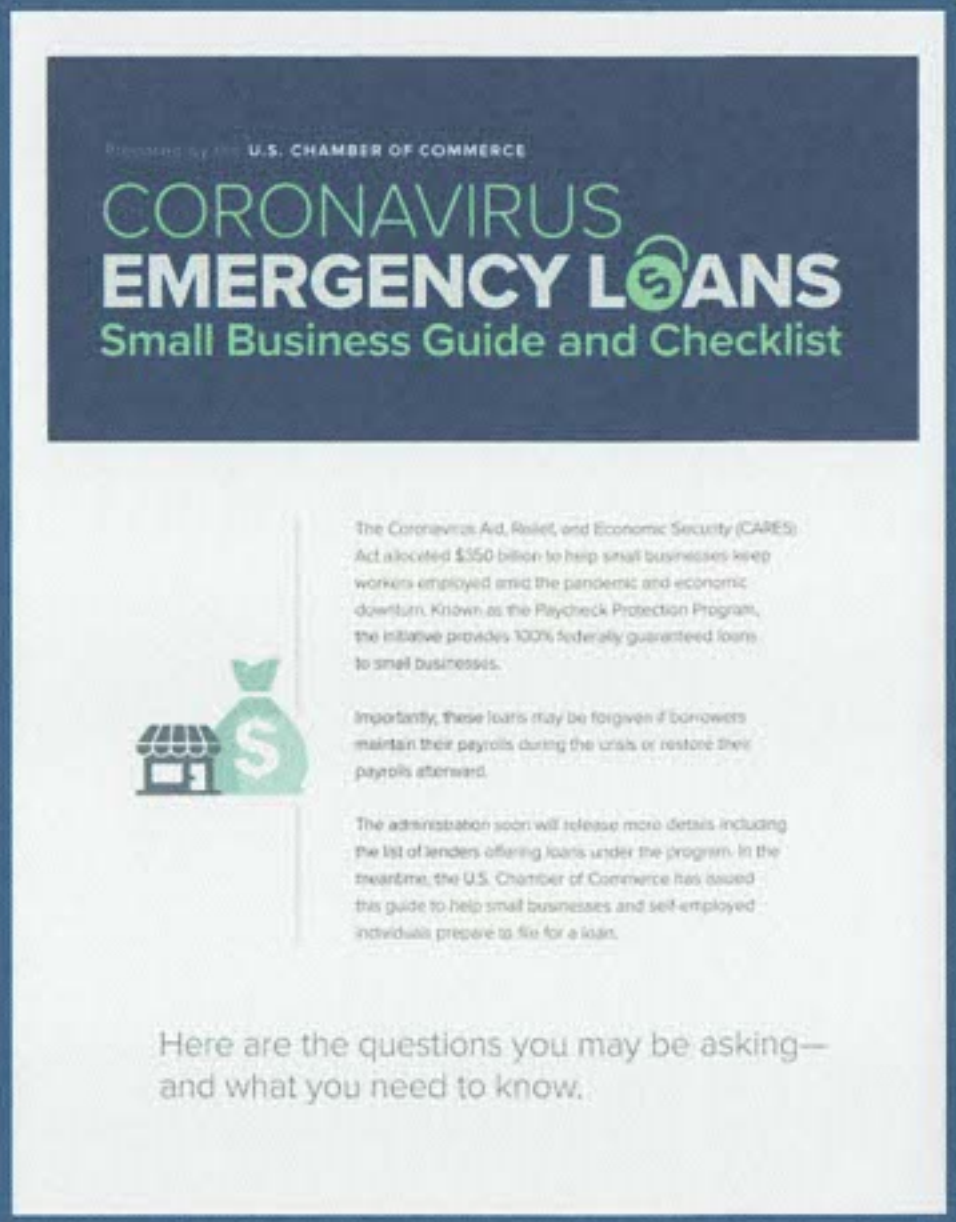
Paycheck Protection Program

- $349 Billion in loans for small business (generally less than 500 employees), 501(c)(3)s, self-employed, sole proprietors, and independent contractors
- Loans equal to the lesser of 2 ½ months of average payroll or $10 million
- Loans by local and national lenders
- Minimal requirements (e.g. no collateral, no personal guarantee)
- Loans convert to grants equal to amount spent on payroll, rent, interest on mortgage, and utilities for the 8 weeks after origination
- Loan forgiveness is reduced proportionally if the employer reduces number of FTEs
- Loan forgiveness is reduced if employer reduces wages by more than 25%
- Employer can avoid reduction in forgiveness if they bring back employees and restore wages generally within 30 days and maintain through June 30

Learn More About the Paycheck Protection Program

Download our guide:

www.uschamber.com/sbloans



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Small Businesses, Self-Employed, ICs, Non-Profits

SBA Economic Injury Disaster Loans

- Small businesses and non-profits (including faith-based) with fewer than 500 employees, sole proprietors, independent contractors
- Up to $2 million working capital loan up to 30-year term; 3.75% (2.75% non-profits)
- Payments deferred up to 1 year
- Loans based on credit scores; no tax returns required
- Up to $200,000 without a personal guarantee
- No collateral for $25,000 or less; general security interest instead of real-estate for larger loans
- $10,000 emergency grant within 3 days that does not have to be repaid
- Interacts with Paycheck Protection Program
- Apply through SBA.gov

Paid Sick Leave – From Phase 2 Bill

- Employers with less than 500 employees are required to provide 10 days of paid sick leave, if leave is related to COVID-19
- Sick leave can be taken when ill, quarantined due to exposure, to take care of a sick or quarantined family member, or to take care of a child during a school closure
- Leave is paid at regular rate with a maximum of $511 per day if taking care of self; paid at 2/3 rate with a maximum of $200 per day if caring for family member
- Payment up to the maximum is reimbursed by the federal government
- Leave is in addition to any other leave an employer already provides
- Businesses with less than 50 employees may be exempt from providing leave related to caring for a child whose school or daycare is closed if providing leave threatens the viability of the business
- Paid sick leave is not available if an employee can telework

Paid FMLA Leave – From Phase 2 Bill

- Employers with less than 500 employees are required to provide up to 10 weeks of paid FMLA leave if an employee needs to take care of a child due to a school or child care closure caused by COVID-19
- Leave is paid at 2/3 regular pay at a maximum of $200 per day and $10,000 in the aggregate
- Paid FMLA is in addition to any leave an employer provides
- Payments for FMLA leave will be reimbursed by the federal government up to the maximum
- Businesses with less than 50 employees may be exempt from providing leave related to caring for a child whose school or daycare is closed if providing leave threatens the viability of the business
- Paid sick leave is not available if an employee can telework

Get More Information

- www.uschamber.com
- Small Business Resources: www.uschamber.com/co

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