

Policy Brief: The Coronavirus Aid, Relief, and Economic Security Act (The CARES Act)

The U.S. Congress on Friday passed a nearly \$2 trillion economic stimulus package. The legislation makes temporary changes to Unemployment Insurance, helps both small businesses and hard-hit industries, and includes other relief provisions. These expanded benefits will be available through the crisis, with most sunseting after several months or at the end of 2020.

- [Read the full text of the CARES Act here.](#)
- [Read the full text of the supplemental appropriations package here.](#)

Unemployment Insurance

The legislation temporarily changes the Unemployment Insurance (UI) system. While the states administer unemployment insurance, these changes will be funded by the federal government. Temporary changes include extending insurance coverage by 13 weeks; expanding coverage to include those not typically eligible, like self-employed and independent contractors; and the option for states to temporarily provide an additional \$600 per week. Most of the changes are applicable through the end of this year.

Bolstering Small Business

The legislation provides \$350 billion to establish the Paycheck Protection Program to help small businesses cover necessary costs (payroll, mortgage or lease payments, and utility payments). The legislation also makes most nonprofits eligible for SBA assistance through the Economic Injury Disaster Loan (EIDL) program. There are several other measures to support small businesses, and the U.S. Chamber of Commerce [has an online resource](#) and [a guide](#) for the loan program.

Critical Industry Support

The legislation includes \$500 billion for the Exchange Stabilization Fund to be distributed through loans, loan guarantees, and investments to distressed industries. The funding is paired with several accountability measures including oversight by a Special Inspector General and a Congressional Oversight Commission, the exclusion of any company with 20% of voting stock owned by certain members of the government or their family members, limits on executive compensation, and prohibitions on stock buy backs. The funds are divided as follows:

- \$25 billion for passenger air carriers and eligible related businesses
- \$4 billion for cargo air carriers
- \$17 billion for businesses deemed important to maintaining national security
- \$454 billion for use as [Federal Reserve 13\(3\)](#) lending to other industries

Other Important Provisions

- Recovery Rebates for Individuals – many individuals will receive payments in the form of tax rebates, with \$500 per child and up to \$1,200 per individual depending on income. There are income limits on those eligible for the payment. The Tax Foundation has [more details](#) on this provision.
- Employee Retention Tax Credit – employers subject to closure due to COVID-19 or whose gross receipts declined at least 50% when compared to the same quarter in the prior year are eligible for a refundable federal tax credit equal to 50% of the employer’s share of federal payroll taxes, up to \$10,000 per employee.
- Employer Payroll Taxes – employers and self-employed individuals may delay payment of the employer share of federal payroll taxes through the end of 2020, repaying half by the end of 2021 and half by the end of 2022.
- Special Retirement Account Rules – individuals impacted directly or financially by the COVID-19 crisis can opt for an early distribution this year from their qualified retirement account without the standard 10% penalty for withdrawals up to \$100,000. Income attributable to the distribution would be subject to tax over three years, and the individual may recontribute the funds to a qualified retirement plan within three years without regard to an existing contribution cap for that year.
- Required Minimum Distributions – the required minimum distribution from certain retirement accounts is waived for 2020.
- Student Loan Benefit Exclusion – allows employers to provide student loan repayment assistance on a tax-free basis through January 1, 2021, with up to \$5,250 excluded from an employee’s income. The \$5,250 cap applies to the new student loan repayment assistance as well as other educational assistance (e.g., tuition and books) currently allowed under law.
- Telehealth Expansion – building on the telehealth provisions in Phase 2, the legislation extends telehealth benefits to rural communities, dialysis patients, and others.
- Health Care Provisions – there are numerous provisions impacting health care and health insurance. Please see [this section by section summary provided by the Senate Committee on Finance](#) for more information.