

Coronavirus Aid, Relief, and Economic Security Act Executive Summary

On Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which is primed to inject \$2 trillion into the economy in response to the COVID-19 national emergency, became law. This article will provide a high-level summary of the CARES Act as passed by the U.S. Senate, with more detailed summaries to follow.

- **Small Business**: The CARES Act establishes a "paycheck protection" program so that small businesses have an incentive to keep employees on payroll; the program also offers debt forgiveness if certain employee retention and pay benchmarks are met.
- **Large Corporations & State Governments**: Provides for \$500 billion in the Treasury Exchange Stabilization Fund to provide loans, loan guarantees, and other investments to eligible businesses (that are not otherwise eligible for economic relief under the provisions relating to small business) and States, with certain specified amounts for the passenger airline and cargo air carrier sectors. Also includes \$454 billion for loans, loan guarantees, and investments in support of facilities established by the Federal Reserve under Section 13(3) of the Federal Reserve Act for purposes of providing liquidity to eligible businesses, states, or municipalities. *See* Section 4003.
- **Direct Payments**: The CARES Act provides for a one-time tax rebate check of \$1,200 per individual and \$500 per child. The full amount is available for those with incomes at or below \$75,000 for individuals or \$112,500 for head of household filers, and \$150,000 for joint filers. *See* Section 2201. There is a phase-out upon attainment of certain income thresholds.
- **Charitable Giving**: Creates a new deduction for non-itemizing taxpayers for charitable contributions of up to \$300. This permanent incentive applies to cash contributions made after December 31, 2019. The Act also lifts the existing cap for only 2020 on annual contributions for taxpayers who itemize, raising it from 60 percent of adjusted gross income to 100 percent. For corporations, the law raises the annual limit from 10 percent to 25 percent. Food donations from corporations would be available to 25 percent, up from the current 15 percent cap. *See*, Section 2204 and 2205.
- **Payroll Taxes**: Employers would be able to delay the payment of most of their 2020 payroll taxes, with the first half due December 31, 2021, and the second half due December 31, 2022. *See* Section 2302. However, this benefit may not apply to a taxpayer who has had indebtedness forgiven under the paycheck protection program discussed above.
- **Net Operating Losses**: The CARES Act allows businesses to carry back losses for the years 2018, 2019, and 2020 to the previous 5 years. *See* Section 2303.
- **Retirement Funds**: Mandatory minimum distribution requirements up to \$100,000 for COVID-19 related purposes are waived for 2020. The CARES Act also waives the 10% penalty on COVID-19-related early distributions from 401(k)s and IRAs to distributions

made at any time during 2020. Certain beneficial tax recapture provisions also may be available. Section 2202, 2203.

- **Employee Retention Credit**: The CARES Act provides that employers that suffer certain defined economic hardship as a result of COVID-19 that continue to pay employees that are furloughed may be eligible for a 50% credit on up to \$10,000 of wages paid to those employees for a defined period. *See* Section 2301. However, an employer may not be eligible for Section 2301 benefits if the employer is taking a loan under the paycheck protection program discussed above.
- **Unemployment Programs**: The CARES Act significantly expands the size and scope of the current unemployment benefit system.

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