

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

The U.S. Congress passed and President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020. The \$2.2 trillion package provides sweeping relief to individuals and companies, including small businesses, and distressed industries. Below are key sections of the bill that impact SEMA members.

### Loan Programs

- **Paycheck Protection Program:** Provides \$349 billion to guarantee private-sector loans through the U.S. Small Business Administration's (SBA) existing [7\(a\) loan program](#) for small businesses. For motor vehicle parts manufacturers, the definition of "small business" ranges from 1,000 to 1,500 employees. Paycheck Protection Program loans created under the law would equal 250% of a company's monthly payroll (capped at \$10 million), which can be used to cover payroll, mortgages, rent, and other specified expenses. The bill waives collateral and personal guarantee requirements in addition to borrower and lender fees, defers payments for six months, and caps the interest rate at 1.0% on the two-year loan. **Important: The SBA will forgive the portion of the loans used to cover payroll, mortgage interest, rent payments, and the cost of utilities for a period of eight weeks if small businesses retain their employees and payroll levels.**
  - Starting on April 3, 2020, small businesses and sole proprietorships can apply, while independent contractors and self-employed individuals can apply starting on April 10, 2020. You will need to complete and submit the Paycheck Protection Program loan application with the required documentation to an approved lender that is available to process your application by June 30, 2020. However, we encourage you to apply as quickly as you can because there is a funding cap.
  - Companies looking to apply for 7(a) loans are encouraged to visit [Lender Match](#), a free online referral tool that connects small businesses with participating SBA-approved lenders within 48 hours.
  - You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating. All loans will have the same terms regardless of lender or borrower. A list of participating lenders as well as additional information and full terms can be found at [www.sba.gov](http://www.sba.gov).
  - For additional information on the Paycheck Protection Program, please take a look at the U.S. Department of Treasury [fact sheet](#) or visit the SBA's webpage on the [program](#).

- **Disaster Loans Expanded to Include Grants:** Provides \$10 billion to expand the SBA's [Economic Injury Disaster Loan](#) (EIDL) program by authorizing the agency to advance up to \$10,000 to eligible Coronavirus disaster loan applicants within three days of receiving their applications (applies to applications filed between January 31, 2020 and the end of 2020). **This advance of funds would not have to be repaid.** Recipients could use the funds to pay sick leave to employees affected by Covid-19, retain employees, address interrupted supply chains, make rent or mortgage payments, and repay debt.
  - The law also enables a borrower who qualified for an EIDL loan related to COVID-19 on or after January 31, 2020 to apply for a Paycheck Protection loan, with an option to refinance that loan into a Paycheck Protection loan until the end of the covered period for the loans (June 30, 2020). However, the emergency EIDL grant award would be subtracted from the amount forgiven under the Paycheck Protection Program.
  - EIDLs are lower interest loans (3.75% for small businesses and 2.75% for non-profits) of up to \$2 million, with principal and interest deferment available for up to 4 years that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.
- To apply for a COVID-19 Economic Injury Disaster Loan, [click here.](#)
- **Express Loans:** Increases the maximum loan for an [SBA Express loan](#) (has a turnaround time of 36 hours) from \$350,000 to \$1 million through December 31, 2020.
- **SBA to Pick-up Cost of Loans for Six Months:** Provides \$17 billion for the SBA to pay all principal, interest, and fees on new and existing SBA loan products including 7(a), Community Advantage, 504, and Microloan programs for six months (does not apply to Paycheck Protection Program loans listed above).

### **Tax Provisions**

- **Refundable Payroll Tax Credit:** Provides employers with a refundable payroll tax credit for 50% of the first \$10,000 of compensation, including health benefits, paid by employers to employees during the COVID-19 crisis (for compensation paid from March 13, 2020, through December 31, 2020). The credit is available to employers whose operations were fully or partially suspended, due to a COVID-19-related shut-down order, or gross receipts declined by more than 50% when compared to the same quarter in the prior year. For employers with more than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. For employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. **Note: the credit is not available to employers receiving assistance through the Paycheck Protection Program.**

- **Tax Deadlines Extended:**
  - The income tax filing due date has been extended to July 15. Tax returns and any income taxes owed will not be due until July 15.
  - Employers and self-employed individuals can defer payment of the employer share of the Social Security tax through the end of 2020 with half of the amount to be paid by December 31, 2021 and the other half by December 31, 2022.  
**Note: deferral is not available to employers receiving assistance through the Paycheck Protection Program.**
- **Net Operating Loss Limitations:**
  - Corporations, allowing any loss for tax years 2018, 2019, or 2020 to be carried back five years.
  - It would modify the loss limitation applicable to pass-through businesses and sole proprietors, so they can utilize excess business losses and access critical cash flow to maintain operations and payroll for their employees.
- **Increased Business Expensing:** The law increases the amount of interest expense businesses can deduct on their tax returns from a 30% limitation to 50% of the taxable income (with adjustments) for 2019 and 2020.
- **Depreciation for Retailers:** Retail businesses can depreciate the entire cost of renovating a store(s) in a single year instead of having to depreciate those improvements over the 39-year life of the building.

### **Other Key Provisions**

- **Cash Payments to Stimulate Economy:** Provide cash payments of up to \$1,200 per individual with an adjusted gross income (AGI) of \$75,000 or less, \$2,400 for married couples filing jointly with an AGI of \$150,000 or less, and \$500 for each child. The law provides smaller cash payments for individuals and couples with incomes greater than those amounts and phases-out payments for single filers with incomes exceeding \$99,000, head of household filers earning more than \$136,500, and joint filers earning more than \$198,000.
- **Increased Unemployment** Help unemployed and furloughed workers by providing an additional \$600 per week payment per recipient of unemployment insurance or Pandemic Unemployment Assistance through July 31, 2020. The law also provides an additional 13 weeks of federally funded unemployment compensation for individuals who have exhausted their state unemployment benefits through December 31, 2020.
- **Liquidity Assistance:** The law provides over \$450 billion for the U.S. Department of the Treasury and Federal Reserve to provide secured loans to U.S. businesses, states, and municipalities to provide liquidity assistance for entities that haven't already received economic relief through other loans provided under the law.

The Federal Reserve can also purchase debt obligations or securities from a business and purchase bonds, loans, and securities directly from banks or from investors in the secondary market.

- Collateral is required for all loans given by the Federal Reserve and Treasury, and all loans, bonds, and securities purchased by the Federal Reserve must be collateralized.
- Directs the Treasury Secretary to establish a program that provides banks with liquidity to make loans to businesses and nonprofit organizations with between 500 and 10,000 employees, capping interest rates for the loans at 2% and providing 6 months of forbearance.