

SUPPORTING BUSINESSES IN THE CORONAVIRUS RESPONSE

KEY TAKEAWAYS

- Congress has passed three laws that include programs to help American families and businesses, small to large, withstand the adverse economic effects caused by the COVID-19 pandemic.
- Through the new Paycheck Protection Program, Congress has made \$350 billion in loans available to help small businesses stay open and keep paying their workers.
- Congress also authorized up to \$500 billion more in loans, loan guarantees, and other investments through the Treasury and Federal Reserve, to increase economic stability.

Supporting America's businesses has been a central part of Congress' [response](#) to the coronavirus outbreak. Many small businesses have had to close or operate under restrictions because of city and state orders. Others, including entire industries, have experienced large decreases in consumer demand because of public health measures to combat the virus. Congress has committed about \$350 billion dollars to support the new Paycheck Protection Program loans, which will help small businesses remain in operation and hold on to their employees. It also has provided for billions of dollars in loans to air carriers and businesses critical to maintaining national security, as well as loans that the Federal Reserve can leverage to support businesses.

Coronavirus Response Resources for Business Provided by Congress





PHASE I: CORONAVIRUS PREPAREDNESS AND RESPONSE SUPPLEMENTAL APPROPRIATIONS ACT, 2020

Small Business Administration Funding. The supplemental appropriations law [includes](#) \$20 million for administrative expenses associated with the SBA's disaster loan program. The funds will help SBA address an increase in loan volume to help businesses, including private nonprofits, affected by the coronavirus emergency.

PHASE II: FAMILIES FIRST CORONAVIRUS RESPONSE ACT

Payroll Tax Credits for Paid Leave. The FFCRA requires certain government employers and businesses with fewer than 500 employees to provide paid sick leave and paid family and medical leave for reasons connected to the coronavirus. Businesses with fewer than 50 employees can seek an [exemption](#). The law pairs these paid leave requirements with refundable payroll tax [credits](#) to cover the costs employers will bear. The emergency paid sick leave credit provides up to \$511 per day, for up to 10 days, for employees on leave because they have the virus or are in quarantine. The credit is up to \$200 per day for employees on leave to care for a child whose school or daycare closed, or to care for someone else who is in quarantine or seeking medical care. The payroll tax credit for paid family leave applies to the leave employees are eligible for beyond 10 sick days, but it only covers wages paid to an employee on leave to take care of a child whose school or day care facility is closed. It provides a maximum credit of \$200 per day, for 10 weeks, with a maximum credit of \$10,000 per employee. Both credits apply against the employer's portion of the Social Security tax and cover 100% of wages required to be paid. The law sets up refundable sick leave and family leave income tax credits for self-employed workers.

The Labor Department has [issued](#) a rule, fact sheets, and FAQs about the paid leave provisions. The Internal Revenue Service has issued [information](#) on the payroll tax credits.

PHASE III: CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

Paycheck Protection Program. The CARES [Act](#) provides substantial aid to small businesses through the new Paycheck Protection Program. This program [authorizes](#) nearly \$350 billion to support federally guaranteed loans through the SBA. The loans will help small business, including 501(c)(3) nonprofits, to meet cash flow needs and retain their workers. The federal government will forgive loan amounts that employers spend on payroll, rent, leases, mortgage interest, and utilities. Businesses with 500 or fewer employees are eligible. The maximum loan amount is 250% of a borrower's average monthly payroll expenses – excluding compensation in excess of an annual rate of salary of \$100,000 for an individual – up to \$10 million total. Banks already participating in the SBA's 7(a) lending program are issuing the loans, along with additional lenders the Treasury Department approves. The



Treasury Department and SBA have published [guidance](#), applications, and other information for small businesses looking to apply for loans and lenders issuing the loans.

Small Business Debt Relief Program. The law provides \$17 billion for the SBA to pay for the principal, interest, and fees on new 7(a) loans issued prior to September 27, as well as the principal and interest of current 7(a) loans for six months. SBA's microloans and its 504 loans, which are issued by SBA-certified nonprofit corporations, also are eligible for this relief.

Emergency Economic Injury Disaster Loans Grants. The CARES Act provides \$10 billion to support the expanded SBA Economic Injury Disaster Loan program. The new law [allows](#) businesses and nonprofits that received an EIDL loan before the CARES Act passed to refinance into a forgivable Paycheck Protection Program loan. It also allows businesses and nonprofits applying for an EIDL to receive an emergency grant of up to \$10,000. The funds can help pay for employees' sick leave, payroll costs, and other obligations.

Small Business Administration Disaster Loans. The CARES Act provides \$562 million in emergency funding to cover administrative expenses.

Employee Retention Credit. Provides businesses with a refundable payroll tax credit, called the employee retention [credit](#). To be eligible, the business must be suspended completely or partially by a government order related to COVID-19, or have experienced a decrease of more than 50% in its gross receipts from the same quarter in 2019. The credit is equal to 50% of wages paid by employers, up to \$10,000, for a maximum credit of \$5,000 per employee.

Delay Payroll Taxes. The CARES Act gives businesses relief by letting them defer paying the employer share of payroll taxes – 6.2% Social Security tax on employee wages – and instead pay the employment tax over the following two years. They must pay half of the deferred tax by the end of calendar year 2021 and the other half by the end of 2022.

Reduce Taxes. The CARES Act helps improve businesses' liquidity, which they need to stay open and retain their employees. It allows businesses to reduce current year taxes and amend prior year tax returns, by taking into account certain losses, increased interest deductions, expenses relating to qualified improvement property, and certain credits for prior years' minimum tax liability.

Tax-Free Student Loan Benefit. The law also expands a tuition-related employee benefit by allowing employers to make up to \$5,250 in student loan payments on a tax-free basis to the employee.

Charitable Giving. The CARES Act encourages people to donate to charitable organizations by allowing them to deduct up to \$300 of cash contributions on their taxes even if they do not itemize. The law also suspends the limit on charitable deductions for cash contributions by people who itemize, and it increases corporations' limitation on deductions for charitable contributions from 10% to 25% of



taxable income. It increases the limitation on deductions for qualifying food contributions from 15% to 25%.

Economic Stabilization and Assistance to Severely Distressed Sectors of the U.S.

Economy. The CARES Act provides up to \$500 billion for the Treasury and Federal Reserve to leverage as loans to provide liquidity, ensure economic stability, and keep workers employed. This total includes direct lending of up to \$25 billion for passenger air carriers, aviation repair stations, and airline ticket agents; \$4 billion for cargo air carriers; and \$17 billion for businesses critical to national security. It also includes up to \$454 billion for loans, loan guarantees, and other investments that the Federal Reserve will leverage through its 13(3) programs and facilities to support businesses, states, and municipalities. This lending will provide liquidity to the financial system and help businesses maintain operations and keep workers employed.

The law authorizes the secretary of transportation to make continuation of certain air transportation services a condition of the loans to air carriers. The law also sets certain terms for the Treasury to lend directly to airlines and businesses critical to national security. Businesses must maintain, through September 30, the employment levels they had on March 24 as much as possible, but at least 90% of their employment as of March 24. These loans or loan guarantees are to be as short as practical but last no longer than five years. Direct loan recipients generally may not repurchase stock until 12 months after the loans they received are no longer outstanding. The federal government is permitted to participate in the gains of the businesses receiving the loans through instruments such as warrants and equity interest.

The law subjects the Federal Reserve 13(3) programs and facilities that issue direct loans to certain terms. Recipients are subject to the same prohibition on stock buybacks that applies for the direct loans to air carriers and other businesses. Businesses must comply with compensation limitations set in the law. The secretary of the treasury can waive these restrictions on the direct loans if it is necessary to protect the federal government's interests. The Federal Reserve's programs and facilities that do not provide direct loans are not subject to the restrictions on stock buybacks, executive compensation, and related terms that apply for the direct loans.