

GROWERTALKS

GT in Brief

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Summary of CARES Act and Small Business Relief Provisions

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The Coronavirus Aid, Relief, and Economic Security Act (CARES) is aimed at providing relief for individuals and businesses that have been negatively impacted by the coronavirus outbreak. Here are some of the key provisions included in the bill and what that may mean for you:

- **Direct payments:** Americans who pay taxes will receive a one-time direct deposit of up to \$1,200 and married couples will receive \$2,400, plus an additional \$500 per child. The payments will be available for incomes up to \$75,000 for individuals and \$150,000 for married couples.
- **Unemployment:** The program provides \$250 billion for an extended unemployment insurance program, and expands eligibility and offers workers an additional \$600 per week for four months, on top of what state programs pay. It also extends UI benefits through December 31 for eligible workers. The deal applies to the self-employed, independent contractors and gig economy workers.
- **Payroll taxes:** The measure allows employers to delay the payment of their portion of 2020 payroll taxes until 2021 and 2022.
- **Use of retirement funds:** The bill waives the 10% early withdrawal penalty for distributions up to \$100,000 for coronavirus-related purposes, retroactive to January 1. Withdrawals are still taxed, but taxes are spread over three years or the taxpayer has the three-year period to roll it back over.
- **401(k) Loans:** The loan limit is increased from \$50,000 to \$100,000.
- **RMDs suspended:** Required Minimum Distributions from IRAs and 401(k) plans (at age 72) are suspended.
- **Small business relief:** \$350 billion is being dedicated to preventing layoffs and business closures while workers have to stay home during the outbreak. Companies with 500 employees or fewer that maintain their payroll during coronavirus can receive up to eight weeks of cash-flow assistance. If employers maintain payroll, the portion of the loans used for covered payroll costs, interest on mortgage obligations, rent, and utilities would be forgiven. (NOTE: As of press time, the small business loan program had reached the \$350 billion cap, essentially running out of money and refusing to take any more applications. Politico reported that businesses like larger restaurant chains were able to access their loan money, leaving many smaller operations to wait until the Speaker of the House and the Secretary of the Treasury negotiate for an additional \$250 billion for the program.)

- **Net Operating Losses:** The Tax Cuts and Jobs Act (TCJA) net operating loss rules are modified. The 80% rule is lifted and losses can now be carried back five years.
- **Excess Loss Limitations:** The excess loss limitation (ELL) rules for pass-through entities are suspended.
- **Interest Expense Limitation:** The interest expense limitations are increased to 50% from 30% for tax years beginning in 2019 or 2020. Taxpayers can also elect to calculate the interest limitation for 2020 using their 2019 adjusted taxable income as the relevant base, which often will be significantly higher.
- **Hospitals and health care:** The deal provides over \$140 billion in appropriations to support the U.S. health system, \$100 billion of which will be injected directly into hospitals. The rest will be dedicated to providing personal and protective equipment for health care workers, testing supplies, increased workforce and training, accelerated Medicare payments, and supporting the CDC, among other health investments.
- **Coronavirus testing:** All testing and potential vaccines for COVID-19 will be covered at no cost to patients.
- **States and local governments:** State, local and tribal governments will receive \$150 billion; \$30 billion is set aside for states and educational institutions; \$45 billion is for disaster relief; and \$25 billion for transit programs.
- **Agriculture:** The deal would increase the amount the Agriculture Department can spend on its bailout program from \$30 billion to \$50 billion. **GT**

Source: Forbes