CORNERSTONE
AN EMPLOYEE-OWNED COMPANY

MEMORANDUM

TO: GHCF/United Way COVID-19 Grants Committee
FROM: CORNERSTONE GOVERNMENT AFFAIRS
SUBJECT: CARES Act
DATE: March 29, 2020

Most of the funding contained in the $2.2 trillion CARES Act falls under four broad categories: Assistance to individuals, assistance to the health care system, assistance to small businesses, and assistance to big business. This memo outlines the benefits available to workers and families, as well as non-profits and small businesses in the CARES Act.

<u>Unemployment Benefit Improvements (Sects. 2102, 2104, 2107)</u>

This section creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus national emergency. The new benefits are available as of the CARES Act date of enactment (March 27) and typically take 2-3 weeks to process, while the application process is unchanged.

Through July 31, 2020, the federal government would provide a temporary Federal Pandemic Unemployment Compensation (FPUC) of $600 a week for any worker eligible for state or federal unemployment compensation (UC) benefits. The FPUC would be paid in addition to and at the same time (but not necessarily in the same check) as regular state or federal UC benefits. The FPUC, combined with the underlying state unemployment benefit, would replace 100 percent of wages for the average U.S. worker. The federal supplement would not affect eligibility for Medicaid or the Children's Health Insurance Program. State UC programs would be fully reimbursed for the cost of administering the supplement and for the cost of the supplement itself.

Most nonprofits, Indian Tribes, and governmental entities do not pay per-worker unemployment taxes and instead have "reimbursable arrangements" with state unemployment programs, which require them to reimburse the state for 100 percent of the cost of unemployment compensation paid to their furloughed or laid off workers. During the period of the national emergency, the federal government would pay 50 percent of the reimbursement for those workers so that their employers could follow public health recommendations. Workers at these organizations are also eligible for the Federal Pandemic Unemployment Compensation supplement ($600 a week).

Nationally, state UC benefits replace about 40 percent of wages for workers. Under the CARES Act, until July 31, 2020, an average worker who received a state UC benefit and the Federal Pandemic Unemployment Compensation would have 100 percent of their wages replaced, but replacement rates would vary by state and worker.

All states would be eligible to provide an additional 13 weeks of unemployment benefits to workers who need beyond what is provided for in state and federal law.

Recovery Rebates for Individuals (Sect. 2201)

Much like the rebates enacted in 2001 and 2008, the Treasury Secretary has authority to establish a regulatory scheme to make advance payments of these rebates "as rapidly as possible." The Internal Revenue Service (IRS) will work to deliver rebates quickly in the form of advance payments. For people who filed a federal income tax return in 2018 or 2019, payment processing will be based on payment or address information already on file with the IRS.

Rebates will be delivered automatically to most Americans who file individual federal income tax returns. When available, electronic direct deposit will be used in place of mailing a physical check. The Social Security Administration will share information for Social Security beneficiaries with IRS to help ensure they receive an automatic advance payment. The IRS will also enlist a public awareness campaign to reach other non-filers and provide them with information on how they can access rebates.

- Maximum grant of $1,200 ($2,400 joint) per taxpayer, limited to net income tax liability plus grant of $500 per child;
- No phase-in or other limitation for low-income taxpayers (such limitation from the original version of the policy has been removed);
- Cash grant tax rebate is treated as a fully refundable tax credit, therefore available to taxpayers with net negative income tax liability;
- Phases out by 5% of the excess of AGI over $75,000 ($150,000 joint), fully phased out at $99,000 ($198,000 joint) and Secretary may apply 2018 amounts to determine the phase-out;
- Rebate denied to nonresident aliens, dependents, and estates or trusts;
- Rebate is available for residents of U.S. territories and possessions.

Use of Retirement Funds (Sects. 2202, 2203)

Consistent with previous disaster-related relief, the provision waives the 10-percent early withdrawal penalty for distributions up to $100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020. Further, the provision provides flexibility for loans from certain retirement plans for coronavirus-related relief.

A coronavirus-related distribution is one made to an individual: (1) who is diagnosed with COVID-19, (2) whose spouse or dependent is diagnosed with COVID-19, or (3) who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary.

The provision also waives the required minimum distribution rules for certain defined contribution plans and IRAs for calendar year 2020. This provision provides relief to individuals who would otherwise be required to withdraw funds from such retirement accounts during the economic slowdown due to COVID-19.

Charitable Donations (Sects. 2204, 2205)

The provision encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to $300 of cash contributions for non-itemizers.

Another provision increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50 percent of adjusted gross income limitation is suspended for 2020. For corporations, the 10 percent limitation is increased to 25 percent of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15 percent to 25 percent.

Student Loan Help, and Help for Current College Students (Sects. 2206, 3505-9, 3513)

Sect. 2206 enables employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to $5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The $5,250 cap applies to both the new student loan repayment benefit enacted by the Phase III bill as well as existing law in the form of other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after date of enactment and before January 1, 2021

Sect. 3505 allows institutions to issue work-study payments to students who are unable to work due to work-place closures as a lump sum or in payments similar to paychecks.

Sect. 3506-7 provide that for students who dropped out of school as a result of COVID -19, it excludes the term from counting negatively toward lifetime subsidized loan eligibility, or negatively toward Pell Grant eligibility.
Sect. 3508 provides that for students who dropped out of school as a result of COVID -19, the student is not required to return Pell grants or federal student loans to the Secretary.

Sect. 3509 provides that for students who dropped out of school as a result of COVID -19, the student's grades do not affect a student's federal academic requirements to continue to receive Pell Grants or student loans

Sect. 3513 requires the Secretary to defer student loan payments, principal, and interest for 6 months, through September 30, 2020, without penalty to the borrower for all federally owned loans. **This section provides relief for over 95 percent of student loan borrowers.**

Health Care Benefits for Individuals (Sects. 3701-2, 3714, 3716-17)

High-deductible health plan (HDHP) with a health savings account (HSA) are required to cover telehealth services prior to a patient reaching the deductible, increasing access for patients who may have the COVID-19 virus and protecting other patients from potential exposure.

This section would allow patients to use funds in HSAs and Flexible Spending Accounts for the purchase of over-the-counter medical products, including those needed in quarantine and social distancing, without a prescription from a physician.

For seniors, there is a section that would require that Medicare Part D plans provide up to a 90-day supply of a prescription medication if requested by a beneficiary during the COVID-19 emergency period.

There is a section to ensure that uninsured individuals can receive a COVID-19 test and related service with no cost-sharing in any state Medicaid program that elects to offer such enrollment option. In addition, Medicare beneficiaries can receive all tests for COVID-19 in Medicare Part B with no cost-sharing.

Coverage of Testing:

Clarifies that all testing for COVID-19 is to be covered by private insurance plans without cost sharing.

Doctors Volunteering to Help:

Makes clear that doctors who provide volunteer medical services during the public health emergency related to COVID-19 have liability protections.

Friends or Relatives Who Are Teachers? (Sect. 3519)

For teachers who could not finish their year of teaching service as a result of COVID-19, their partial year of service shall be counted as a full year of service toward TEACH grant obligations or Teacher Loan Forgiveness. Waives a requirement that teachers must serve consecutive years of teaching service for Teacher Loan Forgiveness eligibility, if a teacher's service is not consecutive as a result of COVID-19.

Credit and Housing Protections (Sects. 4021, 4022, 4024)

This section requires that furnishers to credit reporting agencies who agree to account forbearance, or agree to modified payments with respect to an obligation or account of a consumer that has been impacted by COVID-19, report such obligation or account as "current" or as the status reported prior to the accommodation during the period of accommodation unless the consumer becomes current. This applies only to accounts for which the consumer has fulfilled requirements pursuant to the forbearance or modified payment agreement. Such credit protection is available beginning January 31, 2020 and ends at the later of 120 days after enactment or 120 days after the date the national emergency declaration related to the coronavirus is terminated

There is a section that prohibits foreclosures on all federally backed mortgage loans for a 60-day period beginning on March 18, 2020, and up to 180 days of forbearance for borrowers of a federally backed mortgage loan who have experienced a financial hardship related to the COVID-19 emergency. Applicable mortgages included those purchased by Fannie Mae and Freddie Mac, insured by HUD, VA, or USDA, or directly made by USDA. The authority provided under this section terminates on the earlier of the termination date of the coronavirus national emergency or December 31, 2020

In addition, for 120 days beginning on the date of enactment, landlords are prohibited from initiating legal action to recover possession of a rental unit or to charge fees, penalties, or other charges to the tenant related to such nonpayment of rent where the landlord's mortgage on that property is insured, guaranteed, supplemented, protected, or assisted in any way by HUD, Fannie Mae, Freddie Mac, the rural housing voucher program, or the Violence Against Women Act of 1994.

Health Related Funding

The CARES Act contains significant funding, as well as additional policy provisions, that impact our nation's hospitals and health providers. Below is a top-line breakdown of the appropriations portion:

- $100 billion for hospitals through a new program within the Assistant Secretary for Preparedness and Resources (ASPR) to help hospitals and health care providers with COVID-related expenses and lost revenue;
- $27 billion for the Biomedical Advanced Research and Development Authority (BARDA), including
  - $16 billion for the Strategic National Stockpile to buy personal protective equipment, ventilators and other needed medical supplies;
  - $3.5 billion for vaccine creation, manufacturing, and distribution; and
  - $250 million for the Hospital Preparedness Program, including the National Ebola and Special Pathogens Training and Education Center (NETEC) to improve hospital capacity
- $275 million for the Health Resources and Services Administration (HRSA), including
  - $185 million to support rural critical access hospitals, rural tribal health and telehealth programs, and poison control centers
- $200 million for the Centers for Medicare & Medicaid Services (CMS) for infection control in skilled nursing facilities
- $4.3 billion for the Centers for Disease Control (CDC), including
  - $1.5 billion in additional resources for state and local health offices;
  - $500 million for enhanced national surveillance, diagnostics and lab supports; and
  - $500 million for global health efforts
- $945 million for the National Institutes of Health (NIH) for vaccine, therapeutic and diagnostic research
- $425 million for Substance Abuse and Mental Health Services Administration (SAMHSA) to address mental health and substance use disorders, including
  - $250 million for Certified Community Behavioral Health Clinics;
  - $50 million for suicide prevention; and
  - $100 million in flexible funding to address mental health, substance use disorders, and provide resources and support to youth and the homeless during the pandemic
- $80 million for Food and Drug Administration (FDA)
- $1.032 billion for Indian Health Services

Funding for Federally Qualified Health Centers (FQHCs), which provide primary care for 28 million people, was provided in the previous COVID II package at the overall amount of $100 million. This money will be divided among about 1,300 centers and will help them expand testing and screening, purchase personal protective equipment like masks, and provide safety education. "The new grants we're releasing today are a rapid injection of resources secured by President Trump from Congress in the supplemental funding bill, building on the strong investments HHS has made in health centers over the years," HHS Sec. Alex Azar said in statement.

Supplemental Nutrition Assistance Program

The bill includes $15.5 billion in additional funding to provide for projected increased SNAP enrollment due job loss and business closure and fund health emergency SNAP established by the Families First Coronavirus Response Act.

Child Nutrition Programs

The bill includes $8.8 billion in additional funding for Child Nutrition Programs and flexibilities provided in the Families First Coronavirus Response Act to ensure children receive meals while school is not in session.

Child Care Provisions

The bill includes $14.250 billion for institutions of higher education to prevent, prepare for, and respond to coronavirus. Funds may be used to defray expenses for institutions of higher education, such as lost revenue, technology costs associated with a transition to distance education, and grants to students for food, housing, course materials, technology, health care, and child care.

The bill supports child care and early education programs by including $3.5 billion for the Child Care Development Block Grant. This funding will allow child care programs to maintain critical operations, including meeting emergency staffing needs and ensuring first responders and health care workers can access child care while they respond to the pandemic.

Community Development Block Grant (CDBG)

The bill earmarks $5 billion for the Community Development Block Grant (CDBG) program to enable nearly 1,240 states, counties, and cities to rapidly respond to COVID-19 and the economic and housing impacts, including the expansion of community health facilities, child care centers, food banks, and senior services. Of the amount provided, $2 billion will be allocated to states and units of local governments that received an allocation under the fiscal year 2020 CDBG formula, $1 billion will go directly to states to support a coordinated response across entitlement and non-entitlement communities, and $2 billion will be allocated to states and units of local government, cities and counties based on the prevalence and risk of COVID-19 and related economic and housing disruption.

$3 billion is included for housing providers to help more than 4.5 million low-income households made up of more than 9.6 million individuals currently assisted by HUD to safely remain in their homes or access temporary housing assistance in response to economic and housing disruptions caused by COVID-19.

This funding will help low-income and working-class Americans avoid evictions and minimize any impacts caused by loss of employment, and child care, or other unforeseen circumstances related to COVID-19, and includes:

- $1.935 billion to allow public housing agencies (PHAs) to keep over 3.2 million Section 8 voucher and public housing households stably housed;
- $1 billion to allow the continuation of housing assistance contracts with private landlords for over 1.2 million Project-Based Section 8 households;
- $65 million for housing for the elderly and persons with disabilities for rental assistance, service coordinators, and support services for the more than 114,000 affordable households for the elderly and over 30,000 affordable households for low-income persons with disabilities; and
- $65 million for Housing Opportunities for Persons with AIDS in order to maintain rental assistance and expand operational and administrative flexibilities for housing and supportive service providers to assist nearly 61,000 households. Given that this population is particularly vulnerable, the bill includes temporary relocation services to contain and prevent the spread of COVID-19 for these at-risk households.

SBA Loan Programs

The following is a summary of the two small business loan programs created as a result of the COVID-19 Pandemic. The first program was created through the passage of what we are calling the "COVID-I" legislation. That bill created a $1 billion fund to immediately assist small businesses hit hard by the current economic shutdown. Unlike traditional Small Business Administration (SBA) funding mechanisms, this program is being administered directly by the SBA and is live and accepting applications currently.

The second program was created through the passage of what we are calling "COVID-III" legislation. That bill created the Paycheck Protection Program and the Economic Injury Disaster Loan (EIDL) program. These programs will be administered more like traditional SBA programs, i.e. through third party, 7(a) lenders.

COVID-I

The U.S. Small Business Administration is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the coronavirus (COVID-19). Upon a request received from a state's or territory's governor, SBA will issue under its own authority, as provided by the Coronavirus Preparedness and Response Supplemental Appropriations Act that was recently signed by the President, an Economic Injury Disaster Loan declaration.

- Any such Economic Injury Disaster Loan assistance declaration issued by the SBA makes loans available statewide to small businesses and private, non-profit organizations to help alleviate economic injury caused by the coronavirus (COVID-19). This will apply to current and future disaster assistance declarations related to coronavirus.
- SBA's Office of Disaster Assistance will coordinate with the state's or territory's governor to submit the request for Economic Injury Disaster Loan assistance.

- Once a declaration is made, the information on the application process for Economic Injury Disaster Loan assistance will be made available to affected small businesses within the state.
- SBA's Economic Injury Disaster Loans offer up to $2 million in assistance and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.
- SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.
- SBA's Economic Injury Disaster Loans are just one piece of the expanded focus of the federal government's coordinated response, and the SBA is strongly committed to providing the most effective and customer-focused response possible.

COVID-III

The third COVID-19 package expected to become law includes a new SBA loan program, the Paycheck Protection Program, as well as a grant program associated with the EIDL program. The Paycheck Protection Program is intended to keep workers on small business payrolls through offering forgivable loans. The EIDL grant program offers small businesses a one-time $10,000 grant to cover costs in the short term.

The Paycheck Protection Program

Applies to you if:

- You were in business and employed fewer than the greater of 500 people or the SBA size standards in number of employees for your industry on February 15, 2020.
- You are a small business, nonprofit, veterans' organization, tribal business, or are self-employed, an independent contractor or sole proprietor.

What it does:

- Allows you to apply for a 100% government backed, low interest SBA 7(a) loan up to $10 million. The loan amount will equal 250% of your average monthly payroll costs.
- The period covered for the debt forgiveness is from February 15, 2020 until June 30, 2020.
- The 100% government backed loans and fee waivers will be authorized through December 31, 2020.
- Allows you to use the loan to cover payroll costs, including salaries, paid sick and medical leave, insurance premiums, mortgage, rent and utility payments.
- Allows the loan to be forgiven in an amount equal to what you spent on payroll, rent and mortgage interest (on leases and mortgages in effect on February 15, 2020).
- Reduces the loan amount forgiven proportionately to the reduction in number of employees retained compared to last year and reduced by the reduction in pay of any employee greater than 25% compared to last year.

- To encourage you to rehire your laid-off employees, you will not be penalized for having a reduced payroll at the beginning of the period.
- Ensures that the loan forgiveness amount will not count as taxable income.
- Reduces the amount of loan forgiveness under the Paycheck Protection Program by the amount of your EIDL grant (see below).
- Delegates authority to all current 7(a) lenders to determine your eligibility.
- Prevents you from accessing both this and an SBA disaster relief loan for the same purpose.

Emergency Economic Injury Disaster Loan (EIDL) Grants

Applies to you if:

- You were in business and employed fewer than the greater of 500 people or the SBA size standards in number of employees for your industry on February 15, 2020.
- You are a small business, nonprofit, veterans' organization, tribal business, or are self-employed or a sole proprietor.

What it does:

- Allows any organization that applied for an EIDL loan due to COVID-19 to request an advance up to $10,000, which SBA must distribute within three days.
- Requires that you will not have to repay the advance, even if you are subsequently denied for an EIDL loan.
- Requires SBA to verify that you are an eligible applicant, which will take the form of an affidavit you sign under penalty of perjury.
- Requires the grant to be used to cover paid sick leave, payroll, rent and mortgage payments, and other repayment obligations you cannot meet due to revenue losses.
- Reduces the amount of loan forgiveness under the Paycheck Protection Program (above) by the amount of your EIDL grant.