

## 10 Key Provisions You Need to Know from the CARES Act



On March 27<sup>th</sup>, 2020, President Trump signed into law another coronavirus relief bill to help stabilize the economy and provide funds for distressed small businesses and laid-off workers. This bill, called The Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed unanimously in the Senate by a vote of 96 to zero.

This piece of legislation is the most substantial economic rescue package in U.S. history. This legislation was passed with four main objectives in mind. These objectives, according to the Society for Human Resources (SHRM) include:

- Providing emergency cash to individuals and their families
- Delivering fast and significant relief to small businesses
- Helping to stabilize the economy and curb layoffs
- Rushing resources to frontline healthcare workers

In this article, we'll inform you about how the CARES Act will help accomplish these four strategic objectives. We'll also detail the ten key provisions included in the CARES Act and how they will impact both employers and employees alike.

**Learn how the CARES Act will impact retirement accounts.**

### 10 Key CARES Act Provisions

There are nine main provisions of the CARES Act that will impact both employees and employers alike. Plus, we'll cover the rest of the small tidbits included in the legislation that won't make as significant an impact on the average employer or employee.



## ***1. Direct Payments to Individuals and Families***

The first key provision of the CARES Act sets up direct payments to individuals and families across America. Under this legislation, single Americans will receive \$1,200, married couples will get \$2,400, and parents would receive \$500 for each child under age 17. But it's important to note that not everyone will get a check.

The payments will begin to phase out for individuals with adjusted gross incomes of more than \$75,000. Similarly, those making more than \$99,000 won't qualify at all. These thresholds are doubled for couples. In total, almost 90 percent of Americans will be eligible to receive full or partial payments, according to estimates from the Tax Policy Center.

Qualifying income levels will be based on your 2019 federal tax returns if you already filed. Otherwise, they will be based on 2018 returns.

## ***2. Student Loan Repayment Suspension***

Through the CARES Act, the Department of Education will suspend payments on student loan borrowers, without penalty, through September 30<sup>th</sup>, 2020. This delay will help millions of student borrowers, who may be struggling with the financial impacts of the coronavirus, to avoid accruing penalties if they can't pay their student loans during this time.



## ***3. Unemployment Benefits***

One of the most significant pieces of the CARES Act is the boost it gives to unemployment benefits. The federal government will provide jobless workers an extra \$600 a week for up to four months. This \$600 is in addition to the individual's state benefits. These state benefits range from \$200 to \$550 a week, on average, depending on your state.

Plus, the bill will add up to 13 weeks of extended benefits, which would be fully covered by the federal government. Currently, state unemployment benefits last between 12 and 28 weeks, depending on your state. Additionally, the CARES Act creates a new pandemic unemployment assistance program.

This program will provide jobless benefits to those who are unemployed, partially unemployed, or unable to work because of the virus and don't qualify for traditional benefits. Those eligible for these benefits include independent contractors, the self-employed, and gig economy workers.

These groups either didn't qualify or weren't eligible, in many states. The benefits would mirror what's available in an individual's respective state.

#### **4. Lending Program**

One of the most significant actions the CARES Act takes is to create a \$500 billion fund for businesses controlled by the Treasury Department. The Treasury Department will provide \$500 billion in loans, loan guarantees, and investments. This \$500 billion includes several earmarks for specific industries.



The \$500 billion includes \$25 billion for passenger air carriers and \$4 billion for cargo air carriers. Additionally, \$17 billion is marked for businesses that work in national security. The rest of the funds, around \$454 billion, have been given wide latitude to provide loans to businesses, states, and municipalities.

Still, there are some restrictions on businesses that receive these loans. Organizations that take any of this money may not issue dividends for up to a year after the loan is no longer outstanding. Similarly, these businesses must retain 90 percent of employment levels, as of March 24<sup>th</sup>, through September 30<sup>th</sup>. Plus, these loans cannot last more than five years.

There's a specific provision in the lending program to provide direct loans to mid-sized businesses, as defined as between 500 and 10,000 employees, as well as non-profits. These direct loans don't require payments due for the first six months after the loan is issued. A congressional oversight commission will monitor who the money from this fund is spent.

#### **5. Airline Assistance**

As previously mentioned, the CARES Act includes \$32 billion in grants for wages and benefits to the airline industry. In addition to the \$25 billion for passenger airlines and \$4 billion for cargo airlines, the Act includes \$3 billion industry contractors. These industry contractors include those who handle catering, baggage, ticketing, and aircraft cleaning.



Plus, another \$25 billion for passenger airlines and \$4 billion for cargo airlines will be made available in the form of loans or loan guarantees. Companies that receive this assistance are barred from furloughs, pay cuts, stock buybacks, or issuing dividends to investors, through September. The Act also institutes limits on these company's executive compensation.

Finally, airlines may also be required to operate flight routes they'd otherwise like to cancel due to low ridership or profitability. Under the Act, The Department of Transportation (DoT) can require air carriers to continue service on routes to protect the "needs of small and remote communities and the need to maintain well-functioning health care and pharmaceutical supply chains, including for medical devices and supplies."

## **6. Helping Healthcare Employees**

The CARES Act would provide about \$117 billion for hospitals. The bill will create a \$100 billion public health and social emergency fund to reimburse providers for expenses and lost revenues related to the coronavirus pandemic. Around \$65 billion, of this \$117 billion, will go to hospitals. The rest of the money will be channeled to doctors, nurses, suppliers, and others.

The bill will also bump reimbursements for treating Medicare patients with coronavirus, by 20 percent. Plus, it eliminates \$8 billion in scheduled payment reductions to hospitals caring for significant numbers of uninsured and Medicaid patients. Additionally, the legislation temporarily removes a 2 percent cut for treating Medicare patients, which was previously part of the automatic budget cuts under sequestration.

## **7. Assisting Contractors/Gig Workers**

As mentioned above, independent contractors and gig workers will now be eligible to receive federal unemployment assistance. Previously, these workers weren't eligible for any unemployment benefits. But as the number of these kinds of employees has increased, the government must protect these workers during this pandemic. Otherwise, companies with large amounts of this category of workers would have to reclassify their drivers as employees, eligible for benefits.



## **8. Protections Against Evictions**

The CARES Act gives anyone facing financial hardship, from coronavirus, a forbearance on their federally backed mortgage loan for up to 60 days. This forbearance can be extended for four additional periods of 30 days each. The legislation states that servicers of federally backed mortgage loans may not begin the foreclosure process for up to 60 days from March 18.

Additionally, the bill prohibits fees, penalties, or additional interest from being charged as a result of delayed payments. It also includes similar protections for those with multifamily federal mortgage loans, allowing them to receive a 30-day forbearance and up to two 30-day extensions.

Finally, those with federally backed mortgage loans, who have tenants, would also not be allowed to evict tenants solely for failure to pay rent for 120 days. And, these proprietors may not charge fees or penalties for failing to pay rent.

### **9. Food Assistance Boost**

The last primary provision of the CARES Act provides \$450 million for The Emergency Food Assistance Program, which supplies food banks. Around \$350 million of this \$450 million will be used to buy additional food, and \$100 million will be used for distribution.



Plus, the bill gives \$200 million for food assistance for Puerto Rico and other U.S. territories. And it includes \$100 million for food distribution on American Indian reservations. The CARES Act also grants additional funding for the Supplemental Nutrition Assistance Program (SNAP). But it's worth noting; the bill doesn't expand eligibility or benefits of this program.

### **10. Everything Else**

There are several smaller provisions included in the CARES Act that are, nonetheless, significant for multiple different reasons. The first smaller provision is the delayed implementation of the REAL ID program. The deadline to obtain a REAL ID, the federally mandated ID that will be needed to board an aircraft, will be extended until, at least, September 2021.

The second smaller provision in the CARES Act is the prohibition of federally elected officials and their immediate relatives from obtaining funds from the \$500 billion federal loan program. This provision applies to anyone with a 20 percent or greater stake in a business.

A third smaller provision gives \$25 million to the John F. Kennedy Center for the Performing Arts in Washington, D.C. In addition to this \$25 million, the new bill includes \$75 million for the National Endowment for the Arts.

The CARES Act also includes \$324 million for the State Department, as well as money earmarked explicitly for evacuation expenses. Already, 9,300 Americans have been repatriated. And there are some 13,500 Americans still seeking assistance abroad.

The final smaller provision included in the CARES Act, provides \$88 million for the Peace Corps, \$324 million for diplomatic programs, \$258 million for international disaster assistance, \$350 million for migration and refugee assistance, and \$95 million for USAID operating expenses.

## The Wrap

The CARES Act is the most significant recovery act in the history of the United States. Whether you support it or not, there are several ways it will likely impact your life. Use this article to key in on the 10 key provisions of the CARES Act. **Chances are you or your employees will *care* about this legislation.**

402.289.1046 | [info@theolsongroup.net](mailto:info@theolsongroup.net) | [theolsongroup.com](http://theolsongroup.com)

