CLIENT ALERTS & INSIGHTS

Benesch COVID-19 Resource Center: President Trump Signs Coronavirus Aid, Relief, and Economic Security (CARES) Act

MARCH 27, 2020

On March 27, 2020, President Trump signed a broad economic stimulus bill called the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act" or the "Act"). The $2 trillion Act covers a wide range of subjects, including payments to individuals and families based on income, expanded unemployment benefits, and a number of employment, tax, and commercial provisions impacting business. This alert focuses on key provisions that impact business and is not intended to be an exhaustive summary of the 880 page bill.

The highlights for business include:

Extended Unemployment Benefits: The Act extends the length of time individuals can receive unemployment benefits, extends unemployment benefits to self-employed individuals and independent contractors, and supplements state unemployment benefits by $600 per week for up to four months.

Deferral of Payment of Employer Payroll Taxes: The Act allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax that would otherwise be due to the federal government from the date of enactment through December 31, 2020, to be paid on December 31, 2021 (50%) and December 31, 2022 (50%).

Refundable Credit Against Payroll Taxes for Certain Businesses: The Act allows eligible employers to receive a refundable tax credit against employment taxes for 50% of the "qualified wages" (generally, up to $10,000 in wages) paid to employees during each calendar quarter if they continue to pay their employees while they have been forced to suspend, partially or fully, or close their operations during any calendar quarter due to orders from an appropriate government authority because of COVID-19

FFCRA Tax Credits May Now Be Claimed In Advance: The Act allows an employer to claim the tax credit for wages paid pursuant to the paid leave provisions of the Families First Coronavirus Response Act (FFCRA) in advance by not depositing payroll taxes in anticipation of the credit. If the amount of the expected tax credit exceeds an employer's payroll tax liability for a quarter, then the employer will receive a credit for the excess in that quarter.

Additional Business Tax Benefits: The Act contains a number of other business tax provisions, including enhanced ability for taxpayers to utilize net operating losses ("NOLs") to offset taxable income, temporary loosening of the business interest deduction rules, temporary repeal of excess business loss limitations for noncorporate taxpayers, a fix to the cost-recovery period for qualified improvement property, and modified temporary AMT credit rules for corporations.

Low Interest Loans for Medium Sized Businesses: The Act includes loans for mid-size businesses of between 500 and 10,000 employees. Employers should be aware that these loans come with sizable strings, as detailed below.

Small Business Loans: Paycheck Protection Program: Finally, employers with less than 500 employees (including full and part-time employees) can apply for government-backed loans to help pay for operational costs like payroll, rent, health benefits, insurance premiums, utilities, etc. With some limitations, an employer can apply to have a portion of its paycheck protection loan forgiven on a tax-free basis if the employer does not reduce its workforce or the wages of its employees, beyond certain limits, during the covered period of the loan.

We cover each of these areas in more depth in the articles listed below:

- Key Business Tax Provisions Included in the CARES Act
- Key Provisions for Employers in the CARES Act
- Forgivable Small Business Loans Related to the CARES Act