



Ohio Chemistry Technology Council (OCTC) Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Summary April 2020

Overview

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into law on March 27, 2020, by President Trump provides nearly \$2 Trillion of relief to individuals, businesses, state and local governments and the healthcare and education systems. The Act is considered to be phase three of the federal response to the COVID-19 pandemic. The table below shows the high-level breakdown of each major component of the Act and how much of the price tags goes toward that component. The following sections will provide a more detailed summary of each component.

Major Components	Cost Estimate
Individuals	\$560 Billion
Small Businesses	\$377 Billion
Large Businesses	\$500 Billion
State and Local Governments	\$340 Billion
Healthcare/Education	\$220 Billion

Individuals

Direct Payments to Individuals

The bulk of this portion of the CARES Act is dedicated to individual payments of \$1200 to all people who filed their taxes in either 2018 or 2019 with an annual income of less than \$75,000 per year. The payment and income requirements both double for a couple filing jointly, and there is also a payment of \$500 for each child under the age of 18. Those payments phase out between \$75,000 and \$99,000 income per year per person.

Unemployment Compensation

The law will also increase the unemployment compensation payment to individuals who are collecting unemployment in their state by \$600 per week, all from federal funds. That increased payment will last for 4 months. It also extends the maximum benefit period by 13 additional weeks, for both new and existing filers.

Retirement Plans

The Act would allow for certain participants to take penalty-free distributions from certain retirement plans. In a similar vein, the Act would expand loans against qualified plans to COVID Impacted Participants.

Charitable Giving

For individuals who do not itemize deductions, there is an above-the-line deduction of up to \$300 for charitable contributions of cash made in 2020. Individuals who itemize deductions may take deductions of up to 100% of AGI for charitable contributions of cash made in 2020.

Small Businesses (fewer than 500 employees)

Forgivable Small Business Loans – Paycheck Protection Program

The Small Business Administration may provide loans of up to \$10 million per business at interest rates not to exceed 4%. Any portion of that loan that goes toward payroll, rent/mortgage payments, utilities or existing debt can be forgiven provided that the business maintains its number of full-time equivalent employees (FTEs).

Large Businesses

Loans and Programs for Large Corporations

The largest portion of this segment of the bill is earmarked for loans to large corporations that will have to be paid back. These loans are subject to various public disclosures and other requirements. Most notably, businesses that take these loans will be prohibited from making any stock buybacks during the term of the loan, plus an additional year after. All loans and their terms will also be subject to public disclosure. The eligible businesses must be organized in one of the states and have significant operations in and a majority of its employees based in the United States.

Critically Distressed Industries

This portion of the law also earmarks some funds for grants or loans for severely distressed industries, or more specifically airlines, including passenger, cargo and associated contractors.

All Businesses

Employee Retention Tax Credit

The CARES Act will also create a fully refundable tax credit for all businesses to help keep employees on their payroll. The credit covers 50% of wages actually paid to each employee, capped at \$10,000 of wages per employee. Essentially, an employer can claim a credit of up to \$5,000 per employee. For companies with more than 100 full-time employees, the credit is only applicable to workers not working due to coronavirus. For companies with 100 full-time employees or fewer, the credit can be applied even if workers are still working.

Deferred Payments on Social Security

The act will allow employers to defer payment of the 6.2% employer share of the Social Security tax payable through December 31, 2020, and requires that the deferred payroll tax be paid over the following two years. The repayment would have to occur by at least half in 2021 and half in 2022.

Payroll Tax Credit Advance

Under the Act, employers could receive an advance payroll tax credit on wages paid that qualify under the retention tax credit provisions and on any paid leave provided under the Families First Coronavirus Response Act (FFCRA).

Net Operating Losses

Net operating losses (NOLs) from 2018, 2019 or 2020 may now be carried back five years. NOLs from tax years beginning after 2017 and ending before January 1, 2021, may fully offset taxable income.

Charitable Giving

The deduction limit for corporate charitable contributions made in 2020 is increased from 10% of adjusted taxable income to 25%.

Excise Tax on Alcohol for Use in Hand Sanitizer

The CARES Act suspends the excise tax on alcohol used to produce hand sanitizer for production beginning after December 31, 2019, and ending before January 1, 2021.

Chemical Facilities

Chemical Facilities Anti-Terrorism Standards (CFATS)

The Chemical Facilities Anti-Terrorism Standards (CFATS) program is extended by three months from April 18, 2020 to July 23, 2020

State and Local Governments

Unemployment Compensation Assistance

Provides money to states to who are waiving the one-week waiting period for unemployment and for states that are using short-time compensation programs such as SharedWork Ohio.

State and Local Government Programs

The legislation designates \$339.8 billion for programs that will go to state and local governments. It is divided up to put \$274 billion toward specific COVID-19 response efforts, including \$150 billion in direct aid for those state and local governments running out of cash because of a high number of cases.

Healthcare/Education/Welfare

Money to Community and Private Health Systems

The CARES Act provides roughly \$100 billion directly to hospitals and community health centers for their COVID-19 response.

Federal Agency Funding

About \$50 billion of the relief is going to various federal agencies to support their response efforts, including the Centers for Disease Control (CDC), Food and Drug Administration (FDA), the Veteran's healthcare system, and the Strategic National Stockpile which supplies medicine and equipment to critical areas around the country.

Students Loans

The law provides roughly \$40 billion toward student loan relief for college students and graduates who have outstanding federal loan debt. It would defer all payments on that debt until September, and for current students who have been forced to drop out, the law ensures that this semester's loan is forgiven and would not count against any lifetime limits on subsidized loans or Pell Grant eligibility.

Food Assistance

Roughly \$24 billion is directed toward assistance for schools to provide meals for children while schools are currently closed and also to assist states in administering Supplemental Nutrition Assistance Program (SNAP) benefits, which are expected to rise as a result of COVID-19. The CARES Act also supplies \$750 million to foods banks.