



1152 15th St. NW, Suite 450
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30 March 2020

To: LOCUS Members

From: LOCUS Staff

Re: Legislative Summary of CARES Act

Executive Summary

On March 27, President Trump signed into law [The Coronavirus Aid, Relief, and Economic Security Act](#). This \$2 trillion legislation contains new funding for housing, transportation, education, healthcare, and economic development. The Coronavirus Aid, Relief, and Economic Security Act includes tax relief measures to assist individuals, businesses, and corporations. These tax measures will support individuals through the distribution of recovery checks and through the implementation of special rules for early withdrawal from retirement funds. Businesses and corporations will benefit from modifications to the Tax Cuts and Jobs Act and delayed tax payments.

Below is a summary of key provisions in the CARES Act:

Key Provision Highlights:

Business-related Provisions:

- **Delay of estimated tax payments for corporations:** The provision allows corporations to postpone estimated tax payments due after the date of enactment until October 15, 2020.
- **Delay of payment of employer payroll taxes:** The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees.
- **Modifications for net operating losses:** This provision provides that a loss from 2018, 2019, or 2020 can be carried back five years. The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income.
- **Modification of limitation on losses for taxpayers other than corporations:** The provision modifies the loss limitation applicable to



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pass-through businesses and sole proprietors, so they can benefit from the NOL carryback rules.

- **Modification of credit for prior year minimum tax liability of corporations:** The provision accelerates the ability for companies to recover those AMT credits, permitting companies to claim a refund now and obtain additional cash flow during the COVID-19 emergency.
- **Modification of limitation on business interest:** The provision temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30-percent limitation to 50 percent of the taxable income for 2019 and 2020.
- **Technical amendment regarding qualified improvement property:** This provision, which corrects an error in the Tax Cuts and Jobs Act, allows companies to recover the overpayment of taxes paid on the toll charge to help with liquidity during the current crisis.
- **Restoration of limitation on downward attribution of stock ownership in applying constructive ownership rules:** This technical correction addresses the tax treatment of certain foreign subsidiaries resulting from changes made by the Tax Cuts and Jobs Act. The provision clarifies that certain foreign subsidiaries should not be subject to those requirements, which will permit companies to amend their 2018 tax return to free up critical cash for operations and payroll and significantly reduce their tax compliance burdens this year.
- **Small Business Administration (SBA):** \$562 million to the Disaster Loans Program to prevent, prepare for, and respond to coronavirus, domestically or internationally, for the cost of direct loans authorized by section 7(b) of the Small Business Act, which established the Disaster Loan Fund.

Individual-Related Provisions:

- **2020 recovery rebates for individuals:** Recovery checks of up to \$1,200 will be put into the hands of most taxpayers, providing cash immediately to individuals and families. Married couples who file a joint return are eligible for up to \$2,400. Those amounts increase by \$500 for every child. These checks are reduced for higher income taxpayers and begin phasing out



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after a single taxpayer has \$75,000 in adjusted gross income and \$150,000 for joint filers.

- **Delay of certain deadlines:** The provision extends the April 15th filing date to July 15th.
- **Special rules for use of retirement funds:** The provision waives the 10-percent early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes.
- **Allowance of partial above the line deduction for charitable contributions:** The provision encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of cash contributions.
- **Modification of limitations on charitable contributions during 2020:** The 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.

Infrastructure-Related Provisions:

- **Airports:** \$10 billion in Federal assistance is directed to help publicly-owned, commercial airports to address the COVID-19 crisis.
- **Transit Systems:** \$25 billion is provided to public transit operators to protect public health and safety while ensuring transportation access to jobs, medical treatment, food, and other essential services that remain available during the COVID-19 response.

Community Development/Housing-Related Provisions:

- **Community Services Block Grant (CSBG):** The bill includes \$1 billion for CSBG to help communities address the consequences of increasing unemployment and economic disruption.
- **Community Development Fund:** \$5 billion is provided for the Community Development Fund, with up to \$2 billion available for use under section 106 of Housing and Community Development Act of 1974.
- **Emergency Solutions Grants:** \$4 billion is included to address the impact of COVID-19 among individuals and families who are homeless or



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at risk of homelessness, and to support additional homeless assistance, prevention, and eviction prevention assistance.

- **Rental Assistance Protections for Low-Income Americans:** \$1 billion is included for housing providers to help more than 4.5 million low-income households make 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.
- **Indian Housing:** \$5 billion for the Office of Public and Indian Housing, which includes \$200 million for the Indian Housing Block Grant program and \$100 million for the Indian Community Development block grant.

CARES Act: Section by Section

Section I. Appropriation Funding

Title I: Department of Agriculture

Includes over \$20 billion for the Department of Agriculture agencies and the Food and Drug Administration to continue to respond to the coronavirus pandemic. These funds will provide nutrition assistance to ensure the most vulnerable citizens can still receive food when needed. The bill also includes assistance for food banks.

➤ Includes funding for:

- **Supplemental Nutrition Assistance Program (SNAP):** \$15.8 billion
- **Child Nutrition Programs:** \$8.8 billion in additional funding for Child Nutrition Programs in order to ensure children receive meals while school is not in session.
- **The Emergency Food Assistance Program (TEFAP):** \$450 million to support food banks
- **Rural Development:** \$25 million to support the Distance Learning and Telemedicine program

Title II: Department of Commerce, Justice, Science, and Related Industries

Includes \$1.595 billion in funding to support economic development, invest in basic science and provide resources for Federal, state and local law enforcement and prisons to respond to this public health crisis.

➤ Includes funding for:

- **Economic Development Administration (EDA):** \$1.5 billion for EDA assistance that can be used to help rebuild impacted industries such as tourism or manufacturing supply chains, capitalize local funds to provide low-interest loans to businesses of all sizes and support other locally-identified priorities for economic recovery.
- **Support for manufacturing:** \$50 million is provided for the Hollings Manufacturing Extension Partnership.

Title III: Department of Defense

Includes \$10.5 billion for the Department of Defense, primarily for the protection of members of the Armed Forces, their families, and military retirees from coronavirus. The bill also includes funding for specific efforts that leverage the unique capabilities of



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the Department of Defense to contribute to a whole-of-government response to the pandemic.

Title IV: Energy and Water Development, and Related Agencies

Includes \$221 million for agencies to respond to coronavirus impacts on operations, including equipment and IT support to improve teleworking capabilities vital to continued operations, as well as supporting research into the coronavirus by the Department of Energy.

Title V: Financial Services And General Government

Includes \$1.82 billion for Financial Services and General Government agencies to provide resources to support small businesses, protect our elections, provide the IRS with funds to carry out their new responsibilities, and provide oversight of federal spending during this global crisis.

➤ Includes funding for:

- **Small Business Administration (SBA):** \$562 million to fund the Disaster Loans Program.
- **Internal Revenue Service (IRS):** \$250 million in additional funding to the IRS to administer the new tax credits for paid leave.

Title VI: Department Of Homeland Security

Includes a total of \$45 billion in funding with a focus on helping people, communities, and frontline personnel prepare for and recover from COVID-19.

➤ Includes funding for:

- **Emergency Food and Shelter Program:** \$200 million for shelter, food and supportive services to individuals and families in sudden economic crisis.
- **Cybersecurity and Infrastructure Security Agency:** \$9.1 million for supply chain and information analysis and for impacted critical infrastructure coordination.

Title VII: Department Of The Interior

Includes \$2 billion in funding to provide necessary resources to assist Native communities and tribal governments in preparing for and responding to the threat of coronavirus.



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- Includes funding for:
 - **Environmental Protection Agency (EPA):** \$7.2 million to support research efforts regarding coronavirus.

Title VIII – Departments of Labor, Health and Human Services, Education And Related Agencies

Includes \$172.1 billion to ensure that people on the front lines of the pandemic have the resources to prepare for, prevent and respond to the crisis, including funding that builds off of the initial Coronavirus Preparedness and Response Supplemental Appropriations Act by making additional investments in healthcare, vaccine development, support for state and local governments' prevention and response efforts, and the purchase of critical medical supplies.

- Includes funding for:
 - **Department of Education:** \$30.750 billion for an Education Stabilization Fund for states, school districts and institutions of higher education for costs related to coronavirus.
 - **Community Services Block Grant (CSBG):** The bill includes \$1 billion for CSBG to help communities address the consequences of increasing unemployment and economic disruption.
 - **Low Income Home Energy Assistance Program (LIHEAP):** \$900 million to help lower-income households heat and cool their homes.
 - **Social Security Administration:** \$300 million to support essential telework, communication needs, and salaries and benefits of Federal employees impacted by office 12 closures.

Title IX: Legislative Branch

Includes \$93.1 million in critical funding to support the health, safety, and work capabilities of Legislative Branch agencies, including the United States Congress, Architect of the Capitol (AOC), Capitol Police, Government Accountability Office (GAO), and Office of the Attending Physician (OAP), during this public health crisis.

Title X: Veterans Affairs and Related Agencies

Includes \$14.4 billion in funding to ensure the Department of Veterans Affairs (VA) has the equipment, tests, and support services necessary to provide veterans with the additional care they need at facilities nationwide.



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Title XI: Department of State

Includes \$324 million for diplomatic programs, \$95 million for USAID, and \$88 million for Peace Corps, to support the repatriation of the U.S. Government personnel and American citizens stranded overseas, strengthen the response at U.S. diplomatic facilities domestically and abroad, including by providing additional medical and personal protective equipment, and to prevent and respond to growing international humanitarian needs, among other purposes.

Title XII: Department of Transportation and Housing

The bill includes a total of \$48.5 billion for transportation and housing activities to address this unprecedented global public health pandemic. Targeted resources are directed to communities to help the 11 million low-income Americans living one paycheck away from homelessness by providing assistance to prevent eviction during what is likely to be the most severe economic crisis in nearly a century.

The funding in this bill will also be used to help the over half a million homeless individuals living on the streets find shelter or temporary housing, and for the most vulnerable, to self-quarantine and gain access to supportive services in order to diminish the risk of exposure.

➤ Includes funding for:

- **Airports:** \$10 billion in Federal assistance is directed to help publicly-owned, commercial airports to address the COVID-19 crisis.
- **Transit Systems:** \$25 billion is provided to public transit operators to protect public health and safety while ensuring transportation access to jobs, medical treatment, food, and other essential services that remain available during the COVID-19 response.
- **Community Development Fund:** \$5 billion is provided for the Community Development Fund to enable nearly 1,240 states, counties, and cities to rapidly respond to COVID-19 and the economic and housing impacts caused by it, including the expansion of community health facilities, child care centers, food banks, and senior services.
- **Emergency Solutions Grants:** \$4 billion is included to address the impact of COVID-19 among individuals and families who are homeless or



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at risk of homelessness, and to support additional homeless assistance, prevention, and eviction prevention assistance.

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- **Indian Housing:** \$300 million is secured for Native American Programs, which includes \$200 million for the Indian Housing Block Grant program and \$100 million for imminent threats to health and safety as a result of COVID-19.

Section II: Tax Relief Measures

Summary: The following [tax relief measures](#) as included in the Coronavirus Aid, Relief, and Economic Security Act are intended to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic.

Title I: Recovery Checks and Other Personal Provisions

Title I identifies five provisions to assist individuals in recovering from the impacts of COVID-19. These provisions allow for the extension of the tax filing deadline, recovery checks for taxpayers, and modifications to charitable donations limits.

- **2020 recovery rebates for individuals:** Recovery checks of up to \$1,200 will be put into the hands of most taxpayers, providing cash immediately to individuals and families. Married couples who file a joint return are eligible for up to \$2,400. Those amounts increase by \$500 for every child. These checks are reduced for higher-income taxpayers and begin phasing out after a single taxpayer has \$75,000 in adjusted gross income and \$150,000 for joint filers.
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- **Modification of limitations on charitable contributions during 2020:** The 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.

Title II: Business Provisions

Title II consists of nine tax relief provisions to support businesses impacted by COVID-19. These provisions target net operating losses (NOLs), tax payments for corporations, payment of employer payroll taxes, and make modifications to the Tax Cuts and Jobs Act.

- **Delay of estimated tax payments for corporations:** The provision allows corporations to postpone estimated tax payments due after the date of enactment until October 15, 2020.
- **Delay of payment of employer payroll taxes:** The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees.
- **Modifications for net operating losses:** This provision provides that a loss from 2018, 2019, or 2020 can be carried back five years. The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income.
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