

Practice Update

President Trump Signs Historic CARES Act

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On March 27, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), legislation intended to help Americans and businesses survive a public health and economic crisis due to COVID-19. The bill totals over \$2 trillion in projected spending, contains 880 pages, and includes hundreds of provisions. Below, we breakdown the numbers and the key provisions included in the bill.

The Numbers

The bill includes:

- Direct dollars to Americans (up to \$1,200 per adult and \$500 per child for individuals that make less than \$75,000, (\$150,000 for a couple) decreasing until an individual makes \$100,000 and a couple make \$200,000)
- Enhanced unemployment benefits - \$600 per week in benefits over the state allocation for four months
- \$367 billion for small businesses
- \$500 billion for large businesses
- \$150 billion for state and local governments
- \$130 billion for hospitals and medical providers
- \$30 billion for education payments

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- \$25 billion for transit districts
- \$339 billion for federal agency programs of which the vast majority goes out through state and local governments

Key Legislative Provisions

- The Paycheck Protection Program (the \$367 billion for small businesses) – The program is designed to preserve small businesses and the paychecks of small business employees. The definition of small businesses is broad. It includes businesses and non-profit institutions that employ 500 or less.
- Importantly, the law defines that small businesses that are located in more than one location can count each location as a separate small business, for *certain industries*. The bill allows businesses to borrow up to 250 percent of its average monthly payroll costs as long as the business can show that it was in existence on February 15th. The maximum loan is \$10 million. If the borrowing firm maintains its payroll, and if the funds are used for payroll, benefits, mortgage payments or rent and utilities, the loan can be forgiven, and the Small Business Administration will pay the loan back.
- Unemployment Benefits – In the U.S., unemployment programs are run by the states. The states administer the programs and the states set the benefits levels. The CARES Act continues to run the programs through the states but makes a number of changes. First, in the past, the unemployed had to wait a week to get benefits. The CARES Act waives that. Second, the bill increases the payments by \$600 a week over the state set amount. This increased amount will run for four months.
- The CARES Act provides the above mentioned \$1,200 per person (\$2,400 per couple) and \$500 per child to individuals and families under the income guidelines.

- The bill waives the 10 percent penalty for early withdrawals from retirement accounts.
- The bill changes the charitable deduction laws. Taxpayers can deduct up to \$300 in contributions even if they do not itemize their deductions.
- The bill provides that there will be no costs for coronavirus tests.
- The bill allocates \$500 billion for loans for larger businesses. The funds are administered by the Treasury. The money is only for loans and there are restrictions for firms that accept the loans. The loans run 5 years.
- The bill allows firms to delay the payment of employer social security payroll taxes until the end of the year. The funds must be repaid – one half by the end of 2021 and the rest by the end of 2022.
- The bill provides for a refundable payroll tax credit of wages paid by employers whose operations were suspended by the virus or whose gross receipts declined by 50 percent for the first \$10,000 of wages.

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