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## Intro to the CARES Act

The CARES Act, or the Coronavirus Aid, Relief and Economic Security Act, is a \$2 trillion economic stimulus package geared towards helping businesses, individual employees, and families through the initial shock of the financial impacts of the COVID-19 outbreak.

Sierra Business Council is committed to helping our region's residents and small businesses navigate the resources made available in this federal package.

To read the full text of the CARES Act, click [here](#) or visit <https://bit.ly/2JutTpz>.

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## Unemployment

### How are unemployment benefits enhanced by the CARES Act?

- The CARES Act creates the Temporary Pandemic Unemployment Assistance Program through Dec. 31st, 2020, expanding unemployment benefits. Those who are unemployed, partially unemployed, or who cannot work for a wide variety of coronavirus-related reasons, including freelance and gig-economy workers, will now most likely be eligible.
- An additional \$600/week payment would be made to each unemployment benefits recipient for up to four months. (Prior to the CARES Act, the average benefit in CA is \$450 a week, so in total an unemployment recipient would receive about \$1050/week moving forward. Traditionally, unemployment benefits are about 40-45% of a worker's income.)

**Not intended to cover:** People who quit their jobs due to concerns that continuing to work increases their risk of contracting the virus, workers who are able to work from home, those receiving paid family or sick leave, or new entrants to the workforce unable to find jobs.

**How long will payments last?** These benefits cannot exceed 39 weeks. The extra \$600 for each recipient of unemployment is intended to end July 31st.

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## Businesses

### What small business loans are available under the CARES Act?

The CARES Act allocates \$350 billion for a new Paycheck Protection Program to make loans to:

- Small businesses with 500 employees or fewer or that otherwise meet the current SBA size standard;
- Self-employed individuals & gig economy workers;
- Certain non-profits, including 501(c)(3) organizations, 501(c)(19) veteran organizations, and tribal businesses with under 500 employees.

### ***The fine print:***

- Loans would equal up to 250% of a business's monthly payroll and have a 100% federal guarantee.
- Covered payroll costs include salary, wages, and payments of cash tips.
- Borrowers would be eligible for loan forgiveness equal to the amount spent by the borrower on payroll costs during an 8-week period after the loan origination date (including additional wages to tipped workers), interest payment on any mortgage incurred prior to February 15, 2020, rent payment on a lease in force prior to that date, and utility payment for service which began prior to that date.
- Forgiveness amounts would be reduced in conjunction with the reduction of employees.
- Loan amounts not forgiven after one year would be carried forward with a maximum term of 10 years, 4% interest rate, while 100% loan guarantee would remain intact.

### **How will I apply for these funds?**

Loans would be available immediately through more than 800 existing SBA-certified lenders, including banks, credit unions, and other financial institutions. The SBA would be required to streamline the process to bring additional lenders into the program, and the Treasury Secretary would be authorized to expedite the addition of new lenders.

## **Businesses (continued)**

### **Does my business qualify for the payroll tax credit?**

Employers whose operations have been affected, fully or partially suspended due to a shut-down order, or whose gross receipts declined by 50% or more compared to the same quarter last year, are eligible for an employee retention credit that would be a refundable payroll tax credit for 50% of wages paid to employees by employers during the crisis:

#### ***The fine print:***

- For employers with 100 or fewer full-time employees, all employee wages would qualify for the credit, whether the employer is open for business or shut down due to a shelter order.
- Credit would be provided for first \$10k of compensation, including health benefits, paid to an eligible employee from March 13 through December 31st.
- Employers and self-employed would be allowed to defer social security tax they are otherwise required to pay to the federal gov (6.2%), which would be repaid over the next two years.

### **What else should I know about the SBA program changes?**

- Eligibility for the SBA's Economic Injury Disaster Loan program would be expanded, and \$10 billion would be provided to support the expanded program.
- SBA would be required to pay all principal, interest, and fees on all existing SBA loan products for six months to provide relief to small businesses negatively affected by COVID-19.

**To encourage employers to rehire employees** who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off wouldn't be penalized for having a reduced payroll at the beginning of the loan period.

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## **Individuals & Families:**

### **Who qualifies for individual benefits through the CARES Act? What do these benefits entail?**

Individuals with gross adjusted incomes of less than \$75k will qualify for \$1200 in financial assistance. Married couples with gross adjusted incomes of less than \$150k will qualify for \$2400 in financial assistance. (This is based on 2019 taxes if they've been filed, 2018 if they have not.) Eligible families would receive an additional \$500 per child.

#### ***The fine print:***

- Recovery rebates will be deducted by \$5 for every \$100 of income over \$75k, phasing out entirely for individuals who made more than \$99k, married couples who made more than \$198k.
- Most social security recipients, eligible unemployed people, and Veterans will be eligible for payments. This payment will not be garnished if any individual's checks are currently being garnished due to student loan payment defaults.

### **How will I receive my individual benefits?**

The IRS will deposit the amounts directly into bank accounts of individuals who have set up direct deposit with the IRS and mail checks to those who haven't (no need to file for payments).

### **When will I receive my individual benefits?**

Individuals can expect the payments between three weeks from now and May.

### **What if I want to withdraw from my retirement account?**

The 10% early withdrawal penalty would be waived for distributions of up to \$100k for eligible coronavirus-related purposes.

### **Do I qualify for my withdrawal penalty to be waived?**

Eligible withdrawals are limited to:

- Those who contract COVID-19, or whose spouse or dependent has contracted the virus;
  - Those who experience adverse financial impacts as a result of being furloughed, laid off, quarantined, have hours reduced or are unable to work due to lack of childcare, the closing of or reduced hours of a business owned by the individual, "or other factors determined by the Treasury Secretary."
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