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On March 27, Congress passed H.R. 748, The CARES Act, to provide \$2 trillion in emergency assistance and health care response for individuals, families, and businesses affected by the 2020 Coronavirus pandemic.

This information will be updated as additional details are provided as to the utility and process for various stimulus programs discussed herein.

There may be additional provisions of the Act that impact you or your business. Contact us today to discuss your specific situation.

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COVID-19 Stimulus Package

The CARES Act

The package will affect six primary areas of the economy. Main provisions of the bill include:

- **Households and Individuals.** The legislation provides for \$1,200 direct cash payments to individuals earning \$75,000 or less, as well as \$500 for dependent children.
- **Small Businesses.** Small businesses that retain or rehire workers will be eligible for loans that do not have to be paid back, when spent on payroll and certain other expenses, for a period of two months.
- **Unemployment.** The bill expands the benefits, duration, and categories of people who qualify for unemployment insurance.
- **Healthcare.** The bill provides for increased Medicare reimbursements for doctors and hospitals, and other forms of relief to healthcare providers for expenses related to COVID-19.
- **Industry.** The bill provides for \$500 billion in corporate aid, much of which will go toward backing Federal Reserve loans, and direct aid to businesses “critical to national security.”
- **States and Local Governments.** The bill provides \$150 billion in direct aid to states, distributed according to population size. Municipalities may also apply for this aid.

HOUSEHOLDS AND INDIVIDUALS

Eligibility for direct payments will be based on individual or household income.

- **Eligibility.** Individuals with an adjusted gross income of \$75,000 or less will be eligible for a one-time, \$1,200 direct cash payment. For married couples, the limit is increased \$150,000. \$500 will be added for every dependent child. The payments decrease by \$5 for each \$100 of income over those thresholds, completely phasing out for individuals whose incomes exceed \$99,000, or \$146,500 for head of households with one child, and \$198,000 for joint filers who do not have children. The payments will be available to those who have no income, as well as those who rely on income benefit programs (such as Social Security or unemployment). Unlike earlier proposals, payments will not be set at a lower level for some low-income individuals. Individuals claimed as dependents by another taxpayer are not eligible for payment.
- **Determination of Income.** The government will use 2019 tax returns to determine payment amounts, or 2018 tax returns if 2019 returns are unavailable. Eligible U.S. residents must have a work-eligible Social Security number to receive payment. Individuals who utilized direct deposit will receive payments via direct deposit.

SMALL BUSINESSES

\$350 billion in loans to small businesses will be administered through the Small Business Administration (SBA). Loan forgiveness is available to businesses that retain or rehire workers. (These loans are distinct from the SBA's Economic Disaster Relief Loans which were announced earlier in response to COVID-19. While there are some limitations to ensure businesses are not "double dipping" into the funds, businesses are not strictly limited to one or the other.)

- **Eligibility.** Businesses and nonprofits with fewer than 500 employees are generally eligible for the loans. Self-employed workers, sole proprietors, and gig workers (such as drivers for ride-sharing apps) are also able to apply for loans. Borrowers will need to have been in business as of Feb. 15, 2020, and paid employee salaries and payroll taxes, or paid independent contractors. The main underwriting standards for eligibility will be proof of payroll costs, which will be significantly relaxed compared to typical times. Requirements to provide collateral, for example, may be waived. Franchisees may also be eligible for these loans.
- **Amount.** The legislation will temporarily raise the maximum amount of an SBA 7(a) loan to \$10,000,000. Lenders will determine how much to lend based on a business's past year's average monthly payroll expenses (including tip pay, leave pay, required healthcare costs, etc.) multiplied by 2.5. The bill sets the maximum interest rate for these loans at 4%. Repayment of loans may be deferred no less than six months from disbursement, and as long as one year after.
- **Forgiveness.** Business that retain or rehire workers will be eligible for forgiveness on portions of the loan spent on payroll, sick leave, rent payments, interest paid on real property mortgage obligations, and utilities, during an 8-week period starting on the loan's origination date (effectively turning these qualifying loan portions into grants). The amount of forgiveness will take into account the number of workers retained or rehired, as well as reductions in salaries and wages. A reduction in workforce, wages, or salary would mean a reduction in the amount of forgiveness. A cap of \$100,000 applies to forgiveness on salaries or wages. Employers who employ tipped employees, such as restaurants, may be eligible for forgiveness on additional wages paid to those employees.
- **How to Apply.** Loans will be administered through the SBA's 7(a) loan program, so borrowers will need to apply through banks, credit unions, or other lenders. Approximately 1,800 private lenders are already approved to issue 7(a) loans, and the Department of the Treasury has plans to make it possible for almost all FDIC-insured banks to issue these loans. The best way to begin applying is to approach a lender and inquire about applying for a 7(a) small business loan. The SBA's local district offices can assist with identifying lenders and beginning the application process. You can find a local district office from the directory [here](#).
- **Time to Receive.** In the past, 7(a) loans could typically take up to a month to complete. However, the Department of the Treasury has signaled it plans to issue new regulations greatly streamlining the loan process, hopefully enabling application and dispersal of loans within days.

UNEMPLOYMENT

The bill broadly expands the scope of federal unemployment benefits.

▪ **Eligibility.** The bill will expand the categories of people who qualify for unemployment insurance by extending eligibility to self-employed individuals, independent contractors, and "gig economy" workers, such as workers for ride-hailing apps.

▪ **Benefits.** Unemployment benefits will increase by \$600 per week under the bill, in addition to the funds paid by state programs. The increase will still apply to workers whose gross income would be increased under unemployment.

▪ **Duration.** The bill extends the duration of unemployment benefits to 39 weeks, through Dec. 31, for eligible workers.

HEALTHCARE

The CARES Act contains many provisions affecting the healthcare industry, including \$150 billion in relief to healthcare providers, increased Medicare reimbursements, funding for telehealth initiatives, and changes to home care service.

- **COVID-19-Related Reimbursements.** \$100 billion in funding will go to “eligible health care providers for health care-related expenses or lost revenues that are attributable to the coronavirus.” The bill defines “eligible health care providers” as “public entities, Medicare or Medicaid enrolled suppliers and providers, and such for-profit entities and not-for-profit entities not otherwise described in this proviso as the Secretary may specify... that provide diagnoses, testing, or care for individuals with possible or actual cases of COVID-19.” These funds could potentially be used by hospitals, clinics, nursing homes, and other healthcare providers. The legislation does not appear to specify how eligible health care providers may apply for or access the funds, though the Department of Health and Human Services appears to be working on such a process. Hospitals would also get a 20% add-on payment for inpatient care for COVID-19 patients.
- **Medicare.** The bill increases Medicare reimbursements for doctors and hospitals by suspending the 2013 Medicare sequester, which reduced reimbursements on most benefits by 2%. This increase will remain in effect until December 31, 2020.
- **Telehealth & Home Care.** The bill provides \$200 million for the Federal Communications Commission to “quickly fund telehealth programs across the country—programs through which patients can be monitored and treated outside of a healthcare facility.” At the same time, it enables nurse practitioners (NPs), physician assistants (PAs) and clinical nurse specialists (CNSs) to certify eligibility for home health. Former requirements only allowed physicians to certify home health eligibility for a patient. Federal agencies are discussing means by which providers could be compensated for telehealth, and by which home health eligibility requirements could be relaxed.
- **Insurance.** The bill would require group health plans and insurance providers to cover preventive services related to coronavirus without cost sharing.
- **Miscellaneous.** Other provisions include, \$14 billion to pay medical expenses at the Department of Veterans Affairs, \$16 billion for buying medical supplies for the Strategic National Stockpile and \$1 billion for purchases under the Defense Production Act.

INDUSTRY

\$500 billion will be provided to large businesses, like airlines and those with more than 500 employees.

- **Loans.** Most of this funding (\$465 billion) will go toward backing Federal Reserve loans, which will be lent out at the discretion of the Treasury Secretary and a newly-created inspector general and oversight board to monitor the air.
- **Direct Assistance.** \$17 billion is earmarked for direct assistance to “businesses critical to maintaining national security,” which could include firms such as Boeing.
- **Miscellaneous.** The legislation also grants \$25 billion to passenger air carriers and \$4 billion for air-cargo carriers (on top of loans available through the Treasury.)

STATE AND LOCAL GOVERNMENTS

\$150 billion will go directly to aid states burdened with COVID-19-related expenses, distributed according to population size. Local/municipal governments may also apply for aid, which would then be deducted from the aid going to states. States may also receive a 6.2% increase in matching federal funds for Medicaid.