Coronavirus Stimulus Guide

How the $2 trillion CARES Act will assist local residents, businesses

The CARES Act

• $250 billion to make unemployment insurance available to more categories of workers and to extend the duration of benefits to 39 weeks from the 26 weeks typical in most states. It would also provide an extra $600 a week for four months.

• $301 billion in direct payments to households.

• $349 billion in loans to small businesses, with the amount spent on payroll, rent or utilities converting into grants that don't have to be repaid.

• $500 billion for loans, loan guarantees or other aid to businesses, states and municipalities—including the possibility that the government will take direct equity stakes in distressed companies. Of the total, $29 billion is set aside for cargo and passenger airlines, and $17 billion is for businesses deemed critical to national security, such as Boeing. The remaining $454 billion would go to backstop losses in lending facilities established or expanded by the Federal Reserve.

• $32 billion in grants to cover wages at passenger air carriers, cargo air carriers and contractors.

• $150 billion in direct aid to states, distributed according to population size. A municipality could apply to receive aid directly, reducing the amount available to the rest of the state.

• $221 billion in a variety of tax benefits for businesses, including allowing businesses to defer payroll taxes, which finance Medicare and Social Security, for the rest of the year. It would also temporarily allow businesses to claim deductions using today's losses against past profits to claim quick refunds for cash infusions.

• $340 billion in supplemental spending, which includes $117 billion for hospitals and veterans' care. It also includes $25 billion mostly for public transit to make up for revenue lost because of dwindling ridership.

Households and Workers

Individual checks

The CARES Act provides for direct payments of $1,200 to adults and $500 per child to American households, structured as tax refunds to allow the Internal Revenue Service to distribute the funds quickly.

There is no provision for future direct payments in the event the economic disruption lasts into the later spring. The direct grants are phased out for upper income brackets, starting with $75,000 of individual income.

The grants aren't available at all, for example, for individuals without children making more than $99,000 and married couples without children making more than $198,000.

Unemployed workers

The CARES Act would extend the duration of jobless benefits to 39 weeks from 26 available in most states, and includes a $600-a-week increase for the first four months, with the bonus payment available through July 31.

These benefits would be extended to contract workers, freelancers and other nontraditional workers, who lack benefits in some states. The aim is to replace lost wages as completely as possible.

Freelancers

The CARES Act expands some benefits and grants to independent contractors, such as Uber drivers and freelance film editors, that normally go only to employees or small businesses. For example, it extends unemployment benefits to self-employed workers, including independent contractors, freelancers and other nontraditional workers who are unemployed, partially unemployed or unable to work because of COVID-19.

It includes a $600-a-week increase on top of current levels of unemployment benefits for four months. Independent contractors also can apply for the $10 billion set aside for emergency EIDL—economic injury disaster loan—funds, which are normally available only to a narrower category of small businesses.

Personal Financing and Taxes

Bankruptcy

According to the CARES Act, the law ensures that people who file for bankruptcy don't have to use stimulus checks to repay past debt, and it extends the time that bankrupt people have to repay a portion of their debt as a condition to getting a fresh start. The current repayment time limit is five years; the bill extends the repayment time frame to seven years.

Credit reports

Under the CARES Act, consumers who fall behind on their debt payments won't necessarily take a hit on their credit reports. The bill requires lenders that allow struggling consumers to defer or skip loan payments to report the borrowers as current on their payments, even if they are not. Most consumers who were behind on their debts before the coronavirus crisis will continue to be reported as delinquent.

Mortgages

The CARES Act requires companies that service federally backed mortgages to grant a forbearance of up to 360 days to borrowers who say they have been harmed by the coronavirus outbreak. Servicers are prohibited from initiating foreclosure and processing foreclosure-related evictions for 60 days beginning March 18. Owners of multifamily properties can request a forbearance of up to 90 days, during which tenants cannot be evicted for nonpayment of rent or other fees.

Retirement

According to the CARES Act, the law temporarily loosens the rules on hardship distributions from retirement accounts, giving people affected by the crisis access to up to $100,000 of their retirement savings without a 10 percent penalty. The law doubles the amount 401(k) participants can take in loans from an account for the next six months to the lower of $100,000 or 100 percent of the account balance. (IRAs don't permit loans.)

For retirees, the law suspends for 2020 the mandatory distributions the government requires most to take from tax-deferred 401(k)s and individual retirement accounts starting at either age 70½ or age 72.

Student loans

Per the CARES Act, the law would allow most Americans with federal student loans to suspend their monthly payments through Sept. 30, 2020, without any interest accruing. It would also enable employers to make tax-exempt contributions toward their workers' student-loan payments.

Taxes

Under the CARES Act, people who don't itemize their deductions would be able to claim up to $300 for charitable contributions. Businesses get the ability to apply losses from 2018, 2019 or 2020 to past years' profits and claim refunds. Restaurants and retailers would benefit from the fixing of a mistake in the 2017 tax law that curbed their depreciation deductions on renovations.

Employers would be able to defer paying their share of 2020 payroll taxes. They could then make half of those payments in 2021 and the other half in 2022. In addition, the bill creates a new tax credit for retaining employees that's aimed at companies that are too large to benefit from the small-business assistance elsewhere in the bill.

Those employers would be able to get a tax credit equal to 50 percent of payroll. That is limited to $10,000 per employee per quarter, and for employers with more than 100 employees, it is available only to those companies and nonprofits that had their businesses limited or closed by government actions.

Businesses and Industries

Airlines

Under the CARES Act, for passenger airlines, the bill includes $25 billion in direct funding for worker salaries and benefits, as well as up to $25 billion in loans and loan guarantees. The bill hews to what airlines had been asking for. Carriers had lobbied aggressively for direct grants rather than just loans, warning that without an immediate infusion of cash, they would have to make sharp job cuts.

The bill also includes $3 billion in assistance to keep paying contract workers that provide airline catering, baggage loading, ticketing and check-in, and other services at airports. Cargo airlines will be eligible to receive $4 billion in loans and guarantees, and $4 billion in payroll assistance.

In exchange for the payroll grants, carriers must agree not to furlough, lay off or cut pay for employees until Sept. 30. Assistance also hinges on companies agreeing not to buy back shares or pay dividends, and to limits on executive compensation. The package also allows the Transportation Department to direct airlines to maintain specific flights based on their schedules on March 1, before carriers had instituted the deepest cuts to their flying. This would include services to rural communities and to support delivery of health-care-related cargo.

Banks

The CARES Act delays implementation of a new accounting rule that would have required banks to sock away reserves for any estimated loan losses all at once, instead of spreading them out over the life of the loan. The Act gives the office of the comptroller of the currency the authority to allow banks to make loans that would typically trip up size restrictions. Smaller community banks with less than $10 billion in assets get more lending flexibility through a higher maximum leverage ratio and more wiggle room if they exceed it. Banks will also get more leeway on how they account for troubled consumer loans, allowing them to work with struggling borrowers who have fallen behind on their payments.

Energy

The CARES Act contains no major provisions to specifically aid the U.S. energy industry. Beleaguered U.S. oil producers had sought a range of remedies, including preferential tax treatment, direct subsidies and a $3 billion purchase of oil by the federal government for the Strategic Petroleum Reserve. The renewable energy industry had sought extensions to tax provisions that would have helped wind-and-solar developers secure valuable tax credits even if there were construction delays.

Farmers

The CARES Act directs more than $48 billion to agriculture and nutrition programs, helping cushion the blow for producers reeling from the latest in a string of hits to the U.S. farm economy, as prices sank for corn, soybeans, wheat and cattle. The law designates $14 billion to replenish the Commodity Credit Corp., a Depression-era program designed to stabilize farm incomes, and $9.5 billion to support producers of specialty crops, livestock and dairy, as well as those who supply farmers markets, restaurants and schools.

Health industry

The CARES Act adds $27 billion to an emergency fund that could give a boost to dozens of projects by pharmaceutical companies and academic groups developing drugs and vaccines against coronavirus. The emergency fund received a smaller amount of funding under a coronavirus response act signed earlier in March. There is no COVID-19 vaccine, but dozens are in development. The package allows the government to take steps to ensure that products developed with the emergency funding will be “affordable in the commercial market,” but that these steps shouldn’t delay development of the products.

The bill also includes provisions to increase reporting of potential shortages from drug manufacturers and companies that make active pharmaceutical ingredients, which are the building blocks of prescription drugs. Many of these raw materials are produced overseas and drawn more attention during the virus outbreak. Companies that make respirators and other medical devices would be required to report to the federal government potential supply chain interruptions.

Hotels

The hotel industry last week asked the White House for a $150 billion financial-aid package, targeted specifically for hospitality companies. What it got instead from the CARES Act is a patchwork of loans, grants and tax help, much of it through the $350 billion in loans and grants for small businesses. The majority of U.S. hoteliers qualify as businesses with fewer than 500 employees, making less than $35 million in annual revenue.

The lodging industry even scored a victory in getting language in the Senate bill that defined each individual hotel as its own business. Hotel owners with several properties had been concerned that they would not qualify as a small business because taken together, all their properties would have pushed them over the current Small Business Administration’s definition.

The federal boost in unemployment insurance will help the many hotel employees who have been furloughed across the U.S. Larger hotel companies can apply for loans through the Treasury Department’s economic stabilization fund. But few in the lodging industry expect travel to bounce back by late spring, or even soon after.

Postal Service

Under the CARES Act, the financially strained U.S. Postal Service is getting a $10 billion Treasury loan to help the mail carrier during the pandemic. That should be welcome news for Amazon.com Inc., United Parcel Service Inc. and, to a lesser extent, FedEx Corp., which rely on postal workers for last-mile delivery in certain places.

The Postal Service is only allowed by law to raise its net debt by $3 billion a year, so the bill loosens that restriction. But it does come with some strings attached. Mainly, the Postal Service can only use the financing for operating expenses and not to pay down outstanding debt. The bill also requires the Postal Service to prioritize medical shipments and allows temporary delivery points to protect workers and recipients of mail.

Private equity

According to the CARES Act, private-equity firms will likely find it a challenge to get access to stimulus funds. Based on available details of the stimulus package, private-equity-owned businesses wouldn’t be explicitly barred from receiving assistance. But government lending requirements could prevent them from unlocking the aid, say lawyers, lobbyists and regulatory experts.

Railroads

Per the CARES Act, national passenger railroad Amtrak secured about $1 billion to cover revenue losses related to the coronavirus. The railroad industry won enhanced unemployment benefits that account for its workers not being covered under traditional state-run unemployment programs. Railroad workers instead receive unemployment benefits under a program administered by the Railroad Retirement Board.

The bill removes a seven-day waiting period to collect unemployment and provides $50 million to cover the benefits tied to that waiver. It also provides $425 million to double biweekly unemployment payments to $1,200 through July.

Small businesses

The CARES Act would allow businesses and nonprofits with up to 500 workers in a single location to apply through qualifying banks for loans backed by the Small Business Administration. The loans would convert into grants that don’t have to be repaid for amounts spent on items such as payroll, rent or utilities, with the grants reduced when workers are laid off. The loans would be capped at $10 million and cover wages up to $100,000 a year.