

CARES Act: An early analysis of the historic Coronavirus Aid, Relief and Economic Security Act

The CARES Act



Thursday, March 26, 2020

UPDATE: President Trump signed the bill into law on Friday, March 27.

The United States and the world are dealing with the worst pandemic in over a century. The illness and death associated with COVID-19 could exceed the suffering of the 1918 Spanish Flu. In response to this crisis, the U.S. House and Senate have passed the most comprehensive (and expensive) recovery act in the history of the country. The Coronavirus Aid, Relief and Economic Security (CARES) Act will cost \$2 trillion and is unprecedented in its scope. It will bring emergency relief for virtually all Americans. The House is expected to pass the Senate version on Friday, March 26 and then President Donald Trump will sign it into law.

With the CARES Act, the U.S. Congress has attempted to match the breadth of the crisis. The rescue package will provide historic relief for American business with an array of new and expanded programs.

Government has been forced to shut down the American economy because of COVID-19, and now they are offering a lifeline to American business to avoid permanent shutdowns. Every business in America must examine and optimize these programs as they have been enacted to change the financial trajectory of a US business.

McDonald Hopkins is using its multi-disciplinary approach to assess the CARES Act and to bring its full

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value to our clients. This post is the first of many to help unlock the provisions of the Act. Our CARES Act team is identified below and we are also available 24/7 to discuss how you can fully access the act.

The package includes direct payments to Americans, an aggressive expansion of unemployment insurance, billions of new aid to large and small business, and a new wave of funding for health care and other industries.

No provision is perhaps more impactful than the changes to the SBA loan program. Most U.S. businesses are aware of, but have never accessed the SBA program. Now, they have the opportunity for a forgivable loan (read, grant) of up to \$10 million. To access this program, the business must be a designated small (less than 500 employees) business, non profit, or tribal business.

The maximum loan amount is the lesser of (a) \$10 million and (b) the product obtained by multiplying 2.5 by the average total monthly payments for payroll costs during the 1-year period before the loan is made. It can be used for:

- Payroll support (including paid sick, medical, or family leave).
- Costs related to the continuation of group health care benefits during those periods of leave.
- Employee salaries.
- Mortgage payments.
- Rent.
- Utilities.
- Any other debt obligations that were incurred before the covered period.

The repayment term is up to 30 years and no personal guarantee is required and collateral may not be required. What is transformative is the fact that the loan may be forgiven up to an amount that equals the total payroll costs, interest payments on mortgages, rent, and utility payments for a designated period of time. McDonald Hopkins business and restructuring attorneys are available to discuss and guide you.

The SBA changes are just one of dozens of opportunities. Other notable provisions include:

HEALTHCARE

The CARES Act as passed by the Senate contains numerous provisions designed to aid healthcare providers in the response to COVID-19. From the expansion of reimbursement for telemedicine services in various situations, to financial and reimbursement support for providers impacted by COVID-19, to further streamlining the process for laboratories to offer COVID-19 testing and assuring reimbursement for such testing, the CARES Act contains many provisions designed to support healthcare providers affected by the COVID-19 emergency. Our Healthcare Practice Group attorneys are monitoring the CARES Act and will be issuing materials to help our healthcare provider clients understand the provisions in the coming days.

For more information, read "[CARES Act: Provisions designed to help aid healthcare providers in response to COVID19.](#)"

LABOR AND EMPLOYMENT

The unemployment benefit changes allow employees, in many cases, to match or exceed their current income. The legislative goal is to insulate employees from the impact of the pandemic and resulting shutdowns. The expanded unemployment benefits include:

- An additional \$600 per week payment to each recipient for up to four months.

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- Covered employees include those workers who are available to work but are unemployed due to a COVID-19 related reason.
- Extending unemployment insurance benefits to self-employed workers, independent contractors, and those with limited work history.
- Full funding of the first week of regular unemployment for states with no waiting period.
- Extending unemployment insurance benefits for an additional 13 weeks through Dec. 31, 2020 after state unemployment benefits end.

For more information, read "[CARES Act: Understanding the temporary Pandemic Unemployment Assistance program.](#)"

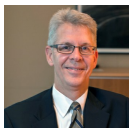
TAX AND BENEFITS

As it relates to the tax provisions, Congress attempted to do the best they could to make a bad situation good by enacting various tax provisions that will help both individuals and employers. In times of crisis, significant pieces of legislation get introduced and sometimes passed by Congress. The problem is that the legislation is usually extremely complicated, which leads to other issues and confusion down the road. Therefore, we do our best to understand the intent and to interpret the provisions in the following articles:

- [CARES Act: A summary of tax issues](#)
- [CARES Act: Employee retention credit for employers subject to closure due to the coronavirus pandemic](#)

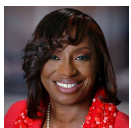
This historic response to this crisis offers unprecedented opportunities as a lifeline for American business. The intent of Congress is to protect American business, and our team at McDonald Hopkins stands ready to guide your through these challenges and opportunities.

Additional detail on all aspects of the bill will be forthcoming over the next several days.



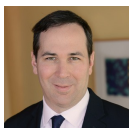
Michael W. Wise

[Team member bio](#)



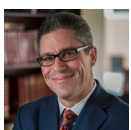
Teresa Metcalf Beasley

[Team member bio](#)



Todd C. Baumgartner

[Team member bio](#)



James J. Boutrous II

[Team member bio](#)



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Marc J. Carmel

[Team member bio](#)



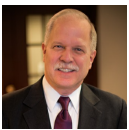
Adam Grais

[Team member bio](#)



David M. Kall

[Team member bio](#)



Patrick A. Karbowski

[Team member bio](#)



Ryan Neumeyer

[Team member bio](#)



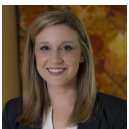
Scott N. Opincar

[Team member bio](#)



Miriam L. Rosen

[Team member bio](#)



Elizabeth Sullivan

[Team member bio](#)



Jeff Van Winkle

[Team member bio](#)



Dana R. White

[Team member bio](#)

