
CARES Act Summary

The COVID-19 pandemic has quickly upended nearly every sector of the U.S. economy, adversely impacted the viability of many businesses and the financial and personal well-being of millions of Americans. In response, the Senate passed the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) in the late hours of March 25, 2020. The CARES Act consists of a nearly \$2 trillion stimulus package aimed at delivering critical assistance to the U.S. economy. The House of Representatives passed the Act, and it was enacted into law on Friday, March 27, 2020.

Some of the highlights of the CARES Act include:

1. Creation of a new “Paycheck Protection Program” consisting of nearly \$350 billion to provide eight weeks of cash-flow assistance to small businesses through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. The Paycheck Protection Program covers payroll costs, paid sick leave, supply chain disruptions, employee salaries, health insurance premiums, mortgage payments, and other debt obligations to provide immediate access to capital for small businesses who have been impacted by COVID-19. If employers maintain their payroll, the loans would largely be forgiven, which would help workers to remain employed and affected small businesses and our economy to quickly recover after the crisis.
2. Expands the SBA’s Economic Injury Disaster Loan (EIDL) program for COVID-19 and allows for expedited access to capital by establishing a \$10 billion program for small businesses who have applied for an EIDL loan to request an advance of up to \$10,000 on the loan to provide paid sick leave to employees, maintaining payroll, and other debt obligations.
3. Requires the SBA to pay all principal, interest and fees on all new and existing SBA loan products including 7(a), Community Advantage, 504, and Microloan programs for 6 months, and provides \$17 billion for this purpose.
4. Provides 2020 recovery rebates of up to \$1,200 for singles and \$2,400 for joint filers which begin phasing out at adjusted gross income of \$75,000 and \$150,000 respectively. Taxpayers with children will receive an additional \$500 per child. Rebates will be issued based on 2019 income tax

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- returns, or 2018 returns for individuals who haven't yet filed in 2019.
5. Waives the 10% early withdrawal penalty for coronavirus-related distributions from retirement plans and provides the option of recontributing the funds for up to three years after such distributions are made.
 6. Temporarily waives the required minimum distribution rules for 2020 for defined contribution plans, including an eligible deferred compensation plan, and individual retirement plans.
 7. Allows an above the line deduction of up to \$300 for charitable contributions and relaxes the limitations on deductible charitable contributions for taxpayers who itemize.
 8. Modifies the limitations on individual and corporate charitable contributions made during 2020 and increases the limit on contributions of food inventory.
 9. Excludes from income certain student loan debt repaid by an individual's employer for repayments made after date of enactment and before 2021.
 10. Provides an employee retention credit against applicable employment taxes of 50% of wages for employers subject to closure due to COVID-19.
 11. Extends the time for paying employer payroll taxes.
 12. Temporarily repeals the taxable income limitation for net operating losses and allows a five-year carryback for losses incurred after 2017 and before 2021.
 13. Eliminates the limitation on excess farm losses for years after 2017 and before 2026.
 14. Modifies the credit for prior year minimum tax liability of corporations by reducing the limitation on the amount of the credit that is refundable.
 15. Modifies the limitation on deductions for business interest by increasing the amount of taxable income which limits the deduction from 30% to 50%.
 16. Fixes the technical glitch in the Tax Cuts and Jobs Act which prevented qualified improvement property from qualifying as 15-year depreciation property and bonus depreciation property.

To review a more detailed **summary of the CARES Act, please [click here](#)**.

If you would like to discuss the impact this new law may have on you or your business, please do not hesitate to contact us.

