CCUSA Social Policy Coronavirus Update: The Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

On March 27, 2020, the President signed into law **H.R. 748, <u>The Coronavirus Aid, Relief, and Economic Security (CARES) Act</u>.** The $2 trillion comprehensive package represents Congress' third attempt to respond to the effects of the coronavirus pandemic (COVID-19), and contains numerous investments that will help those served by Catholic Charities agencies.

Please find a summary of major investments that the bill makes on behalf of nonprofit organizations that will benefit Catholic Charities agencies and those we serve.

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A. Benefits to Persons and Families We Serve

Unemployment Benefit Improvements

This section creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency.

The bill also provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of state unemployment benefits are no longer available.

Expanded Unemployment Insurance

The CARES Act creates an expanded unemployment program open to nonprofit employees and freelancers, for people who have exhausted their regular unemployment benefits and aren't eligible for regular benefits under state and federal unemployment programs. The package allows states to boosts the amount of weekly unemployment insurance due to coronavirus by $600 through June 30, 2020; however, people who are able to telework with pay or receiving paid leave benefits – including paid sick leave – are ineligible for expanded unemployment.

Recovery Rebates for Individuals

Similar to rebates enacted in 2001 and 2008, the Treasury Secretary has authority to establish a regulatory scheme to make advance payments of these rebates "as rapidly as possible:"

- Maximum grant of $1,200 ($2,400 joint) per taxpayer, limited to net income tax liability plus grant of $500 per child;
- No phase-in or other limitation for low-income taxpayers (such limitation from the original version of the policy has been removed);
- Cash grant tax rebate is treated as a fully refundable tax credit, therefore available to taxpayers with net negative income tax liability;
- Phases out by 5 percent of the excess of AGI over $75,000 ($150,000 joint), fully phased out at $99,000 ($198,000 joint) and Secretary may apply 2018 amounts to determine the phase-out;
- Rebate denied to nonresident aliens, dependents, and estates or trusts;
- Rebate is available for residents of U.S. territories and possessions.

Use of Retirement Funds

Consistent with previous disaster-related relief, the provision waives the 10 percent early withdrawal penalty for distributions up to $100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020. Further, the provision provides flexibility for loans from certain retirement plans for coronavirus-related relief.

A coronavirus-related distribution is one made to an individual: (1) who is diagnosed with COVID-19, (2) whose spouse or dependent is diagnosed with COVID-19, or (3) who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary.

The provision also waives the required minimum distribution rules for certain defined contribution plans and IRAs for calendar year 2020. This provision provides relief to individuals who would otherwise be required to withdraw funds from such retirement accounts during the economic slowdown due to COVID-19.

Student Loan Help, and Help for Current College Students

The provision enables employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to $5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The $5,250 cap applies to both the new student loan repayment benefit enacted by the Phase III bill as well as existing law in the form of other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after date of enactment and before January 1, 2021.

It also:

- Provides relief for over 43 million student borrowers by suspending federal student loan payments for six months without interest.
- Allows institutions to issue work-study payments to students who are unable to work due to workplace closures as a lump sum or in payments similar to paychecks.
- Provides that for students who dropped out of school as a result of COVID -19, the term is excluded from counting negatively toward lifetime subsidized loan eligibility, or negatively toward Pell Grant eligibility.
- Provides that for students who dropped out of school as a result of COVID -19, the student is not required to return Pell grants or federal student loans to the Secretary.
- Provides that for students who dropped out of school as a result of COVID -19, the student's grades do not affect a student's federal academic requirements to continue to receive Pell Grants or student loans.
- Requires the Secretary to defer student loan payments, principal, and interest for 6 months, through September 30, 2020, without penalty to the borrower for all federally owned loans. **This provides relief for over 95 percent of student loan borrowers.**

Health Care Benefits for Individuals

High-deductible health plan (HDHP) with a health savings account (HSA) are required to cover telehealth services prior to a patient reaching the deductible, increasing access for patients who may have the COVID-19 virus and protecting other patients from potential exposure.

This section allows patients to use funds in HSAs and Flexible Spending Accounts for the purchase of over-the-counter medical products, including those needed in quarantine and social distancing, without a prescription from a physician.

For seniors, there is a section that requires that Medicare Part D plans provide up to a 90-day supply of a prescription medication if requested by a beneficiary during the COVID-19 emergency period.

There is a section to ensure that uninsured individuals can receive a COVID-19 test and related service with no cost-sharing in any state Medicaid program that elects to offer such enrollment option. In addition, Medicare beneficiaries can receive all tests for COVID-19 in Medicare Part B with no cost-sharing.

Coverage of Testing

Clarifies that all testing for COVID-19 is to be covered by private insurance plans without cost sharing.

Doctors Volunteering to Help

Makes clear that doctors who provide volunteer medical services during the public health emergency related to COVID-19 have liability protections.

Friends or Relatives Who Are Teachers

For teachers who could not finish their year of teaching service as a result of COVID-19, their partial year of service shall be counted as a full year of service toward TEACH grant obligations or Teacher Loan Forgiveness. Waives a requirement that teachers must serve consecutive years of teaching service for Teacher Loan Forgiveness eligibility, if a teacher's service is not consecutive as a result of COVID-19.

Credit and Housing Protections

This section requires that furnishers to credit reporting agencies who agree to account forbearance, or agree to modified payments with respect to an obligation or account of a consumer that has been impacted by COVID-19, report such obligation or account as "current" or as the status reported prior to the accommodation during the period of accommodation unless the consumer becomes current. This applies only to accounts for which the consumer has fulfilled requirements pursuant to the forbearance or modified payment agreement. Such credit protection is available beginning January 31, 2020 and ends at the later of 120 days after enactment or 120 days after the date the national emergency declaration related to the coronavirus is terminated.

There is a section that prohibits foreclosures on all federally-backed mortgage loans for a 60-day period beginning on March 18, 2020. Provides up to 180 days of forbearance for borrowers of a federally-backed mortgage loan who have experienced a financial hardship related to the COVID-19 emergency. Applicable mortgages included those purchased by Fannie Mae and Freddie Mac, insured by HUD, VA, or USDA, or directly made by USDA. The authority provided under this section terminates on the earlier of the termination date of the national emergency concerning the coronavirus or December 31, 2020.

In addition, for 120 days beginning on the date of enactment, landlords are prohibited from initiating legal action to recover possession of a rental unit or to charge fees, penalties, or other charges to the tenant related to such nonpayment of rent where the landlord's mortgage on that property is insured, guaranteed, supplemented, protected, or assisted in any way by HUD, Fannie Mae, Freddie Mac, the rural housing voucher program, or the Violence Against Women Act of 1994.

B. Benefits to Nonprofit Agencies

Nonprofit Business Loans

H.R. 748 establishes a $349 billion Paycheck Protection Program to allow the Small Business Administration to guarantee forgivable loans for businesses and nonprofit organizations with less than 500 employees. Nonprofit organizations would be allowed to use these loans for payroll costs, payment for parental, family, medical or sick leave, insurance premiums and group health care benefits during periods of paid leave, employee salaries, mortgage payments, rent, utilities and paying interest on any debt. The maximum loan amount would be the lesser of $10 million or 250 percent of the average payroll costs for the previous year before the loan is made.

For more information and guidance, please visit the following link to the Small Business Administration Coronavirus Guidance and Loan Resource Page: https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources

Economic Injury Disaster Loans (EIDL): Eliminates creditworthiness requirements and appropriates an additional $10 billion to the EIDL program so that eligible nonprofits and other applicants with 500 or fewer employees can get checks for $10,000 within three days.

Self-Funded Nonprofits and Unemployment: Only reimburses self-funded nonprofits for half of the costs of benefits provided to their laid-off employees. This is explained in a recent blog article.

Industry Stabilization Fund: Creates a loan and loan guarantee program for industries like airlines to keep them solvent through the crisis. It sets aside $425 billion for "eligible business" which is defined as "a United States business that has not otherwise received economic relief in the form of loans or loan guarantees provided under" the legislation. Mid-sized businesses, including nonprofits that have between 500 and 10,000 employees are expressly eligible for loans under this provision. However, there is no loan forgiveness provision in this section. Mid-size business/nonprofits taking out these loans would be charged an interest rate of no higher than 2 percent and would not accrue interest or require repayments for the first six months. Nonprofits accepting the mid-size business loans must retain at least 90 percent of their staff at full compensation.

Unemployment Relief for Nonprofit Organizations

In an attempt to support nonprofit organizations and displaced workers, the package provides reimbursements to states to cover the costs of providing unemployment for laid-off nonprofit employees. The dollars will help cover costs for nonprofit organizations that do not contribute to state unemployment insurance funds, who are unable to keep workers on payroll.

Paid Leave Mandates

Amends the amount that employers must pay for paid sick and family leave under the Families First Coronavirus Response Act (enacted March 19) to the amounts covered by the refundable payroll tax credit -- i.e., $511 per day for employee sick leave or $200 per day for family leave

To access a fact sheet for employees, employers and question and answer documents, please visit the following link: Fact Sheet for Employees, a Fact Sheet for Employers and a Questions and Answers document.

To access additional information on common issues employers and employees face when responding to COVID-10 and the effects on wages and hours worked under the Fair Labor Standards and Act and job-protected leave under the Family and Medical Leave Act, please visit the following link: https://www.dol.gov/agencies/whd/pandemic

Employee Retention Credit for Nonprofit Organizations That Close Temporarily

The CARES Act also creates a tax credit for businesses and nonprofit organizations that close temporarily due to government orders, whose revenue shrinks by more than 50 percent from the same quarter in 2019, that keep their employees on payroll. The tax credit would be allowed for 50 percent of employment taxes paid for each employee during the closure up to $10,000, and would be refundable against any other taxes. The employee retention credit would only apply to wages paid after March 12, 2020. Employers that take forgivable loans under the Paycheck Protection Program mentioned above wouldn't be eligible for the employee retention credit.

Housing

Overall, the bill provides more than $12 billion in funding for HUD programs, including: $4 billion for Emergency Solutions Grants for homelessness assistance, $5 billion in Community Development Block Grants, $1.25 billion for the Housing Choice Voucher program, $1 billion for project based rental assistance, $685 million for public housing, and $300 million for tribal nations. The bill also institutes a much-needed temporary moratorium on evictions and foreclosures for homeowners and renters in federally subsidized apartments and homes with federally backed mortgages.

Nonprofit Contracting

The bill allows federal agencies to reimburse contractors each week at the contract billing rate for 40 hours of work, including sick leave, to keep employees on payroll and pay subcontractors. Payments would only be allowed for contractors whose employees can't telework or contractors who can't work at approved sites, federally-owned, or leased sites due to coronavirus.

Disaster Relief Fund

Disaster Relief Fund contains an additional $45 billion that must be spent in its entirety. $25 billion of that amount shall be for major disasters declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act. $15 billion of that amount may be used for all purposes authorized.

Other Support Program:

- Emergency Food & Shelter Program (EFSP) - $200 million
- Low Income Heating & Energy Assistance Program (LIHEAP) - $90 million
- Supplemental Nutrition Assistance Program (SNAP) - $15.8 billion
- Nutrition assistance for Puerto Rico and territories - $200 million
- Food Distribution on Indian Reservations - $100 million
- Child Nutrition Program - $8.8 billion
- The Emergency Assistance Food Program (TEFAP) - $450 million
- Distance Learning and Telemedicine Program - $25 million
- ReConnect program (broadband access) - $100 million
- Legal Services (LSC) - $50 million
- Administration for Community Living (ACL) - $955 million
- Child Care (CCDBG) - $3.5 billion

- Head Start - $750 million (for emergency staffing needs)
- Family Violence Prevention Services - $45 million
  Veteran Services (homeless veterans' program, supportive services for veterans' family's program, and grant and per diem program) - $590 million

C. Benefits to Donors

Charitable Donations

The provision encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to $300 of cash contributions for non-itemizers.

Another provision increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50 percent of adjusted gross income limitation is suspended for 2020. For corporations, the 10 percent limitation is increased to 25 percent of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15 percent to 25 percent.

D. What's Next?

With the law now passed, the next phase is the rulemaking in which we anticipate will move quickly. The money is likely to flow through the normal funding stream via states/local governments with additional resources provided to manage the increase in requests. Monies that typically go directly to local communities (ex. EFSP) will likely be distributed in the same way. Grants would likely go through the same process perhaps with a shorter turnaround time.

Congress is already considering a fourth bill to provide relief to states. CCUSA will join with other nonprofits and charities to continue to seek relief for charities and nonprofits who will be facing rising demand for services and economic challenges in the coming weeks and months.

For more information, contact our Government Relations team (AGranado@CatholicChartiesUSA.org)