The purpose of the “Coronavirus Aid, Relief, and Economic Security Act,” abbreviated as the CARES Act, is to provide emergency assistance and a health care response for individuals, families, and businesses affected by the 2020 Coronavirus pandemic. The CARES Act is the largest stimulus in American history. The following are specific legislative considerations impacting businesses:

**Guaranteed Small Business Loans**
The Act allocates approximately $349 billion in federally guaranteed loans through new and existing Small Business Administration programs. Businesses eligible for SBLs under the Act include businesses with not more than 500 employees, those that were operational on February 15, 2020, and that had employees for whom it paid salaries and payroll taxes. These businesses may include sole proprietors, independent contractors, and other self-employed entrepreneurs. Loan proceeds may be utilized for payroll support, employee salaries, medical leave, insurance premiums, rent, and utility payments. The maximum loan amount permitted is $10 million dollars. The maximum interest rate for SBA program loans is 4%.

**Treasury Lending Facility**
The Act provides $500 billion to the US Treasury’s Exchange Stabilization Fund for loans and loan guarantees to be made available to distressed US companies. Loans made from the ESF are not eligible for forgiveness, but loan terms may be modified. The federal government may use the fund to take equity interests or warrants in firms from affected industries it intends to benefit. Numerous criteria exist to secure eligibility, including restricting any stock “buybacks” for the term of the loan plus one year. States and local municipalities are also eligible for additional aid needs through an additional $150 billion allocation of funds.

**Healthcare System Considerations**
The Act provides $100 billion in direct grants to hospitals and additional funding for telemedicine.

**Business Considerations**
- **Refundable payroll tax credit** – The Act provides a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis (up to first $10,000 of compensation per employee).
• **Social Security Tax (Deferral)** – The Act allows both employers and self-employed individuals to defer payment of the employer share of their Social Security tax liability. The deferred amount must be repaid in 2021 (50%) and 2022 (50%).

• **Modification of Non-Operating Losses** – The Act provides that a Non-Operating Loss (NOL) arising in a tax year beginning in 2018, 2019, or 2020 may be carried back five years. The Act also temporarily removes the taxable income limitation to allow an NOL to fully offset income. NOL rule modifications are also available to pass-through entities and sole proprietors.

• **Interest Expense Deductions** – The Act allows for a temporary increase (up to 50% of taxable income compared to a previous 30% level of taxable income) of interest-related expenses for businesses.

• **Immediate Depreciation for Facility Improvement** – The Act allows businesses to immediately depreciate costs associated with facility improvement versus using a traditional 39-year schedule of depreciation.