
CARES Act Stimulus Package Provides Multiple Forms of Economic Relief for Businesses and Individuals

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On March 27, 2020, Congress passed, and the President signed into law, the Coronavirus Aid, Relief, and Economic Security Act, H.R. 748 (the "CARES Act"). The CARES Act is a sweeping \$2.2 trillion dollar stimulus bill, designed to help American individuals and businesses weather the current COVID-19 outbreak. In addition to including programs that provide increased unemployment benefits and forgivable loans for small businesses, the CARES Act provides many other programs to assist business and individuals deal with the associated economic slowdown, explained in more detail below.

Employee Retention Credit

The stimulus includes a significant tax incentive to keep employees on an employer's payroll in the form of a new "employee retention credit." This payroll tax credit equals 50% of "qualified wages" paid to employees of eligible employers. The credit applies against the employer's share of its quarterly payroll taxes, and is capped at \$10,000 per employee. **Importantly, the definition of "qualified wages" varies depending on the size of the employer.** For employers with **more than 100 employees**, qualified wages is restricted to wages paid to employees who have been furloughed or are otherwise not providing services to the employer, due to a COVID-19 related slowdown. For **employers with 100 or fewer employees**, any wages paid whether the employee is performing services or not, qualify.

An employer is eligible if they were in business in 2020 and that business was fully or partially interrupted due to a government order limiting commerce, travel, or group meetings. Employers are also eligible if they have experienced a reduction over 50 percent in quarterly receipts measured against the same quarter last year. Importantly, the credit can be impacted by any credits taken for COVID-19 related required paid leave. Also, **the credit is not available to employers who receive an SBA Paycheck Protection Loan, as previously discussed here.**

Payroll Tax Deferral

The stimulus package will also let companies defer paying a portion of payroll taxes. All employers and self-employed individuals can defer paying the employer share of payroll taxes owed on wages paid for the period ending December 31, 2020. Half of the deferred taxes would then be due on December 31, 2021, and the second half would be due on December 31, 2022. Crucially, **this deferral is not available for employers receive loan forgiveness under the SBA Paycheck Protection Program.**

Direct Payments

Perhaps the most immediate and far reaching aspect of the stimulus for individuals is the 2020 Recovery Rebate, which provides direct payments to many Americans. Payments will be \$1,200 for everyone that makes less than \$75,000 (or \$2,400 for married couples that

make less than \$150,000). Payments will then begin to decrease by 5% for every dollar made over \$75,000 (or \$150,000). For example, if someone made \$80,000, their payment would be decreased by 5% of \$5,000 (\$250), meaning they would receive a check for \$950. The government will use 2019 tax returns to determine income for eligibility, however, if someone has not yet submitted their return for this year the government will use that person's 2018 income.

Student Loan Deferral

Under the stimulus, all loan and interest payments on most Federal student loans will be deferred through September 30, 2020. While payments will automatically pause during this time, borrowers can choose to continue making payments during this time. Because interest is paused, if a borrower does choose to make payments during this period, these payments would go entirely to the loan principal. One important caveat to this part of the stimulus: private student loan borrowers don't get any relief at all from this bill, it is only available for federally-backed loans. Another student loan-related aspect of the stimulus allows employers to pay up to \$5,250 in tax-free student loan repayment benefits.

If you have questions about these or any other provisions in the CARES Act, please contact Nathan Duggins at nduggins@tuggleduggins.com or (336) 271-5246, Alan Felts at atafelts@tuggleduggins.com or (336) 271-5215, or Matt Hoyt at mhoyt@tuggleduggins.com or (336) 271-5203. Please also follow our Twitter account @TuggleDuggins at <https://twitter.com/TuggleDuggins> for continuing, up-to-date information related to navigating the law during the COVID-19 outbreak.

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