

**PLEASE NOTE: The information released on the stimulus bill is in constant change. We have assembled as much content from multiple sources to help everyone gain a better understand of the program. For further clarification please consult an attorney or your banker.**

**Each bank seems to have a slightly different opinion on how they SBA is running the program thus each has different guidelines. Requirements from the government and banks is in constant flux. This is the best information we have currently.**

## **\$2 Trillion Phase 3 COVID-19 Response Bill**

**Businesses - Details are evolving every day.**

### **Small Business Administration Grants**

1. **Paycheck Protection Program** - SBA will administrator a \$349 billion
  - o Eligible recipients include small businesses, self-employed individuals, nonprofits and Tribal business concerns
  - o Allowable uses include payroll, rent, mortgage payments, and utility costs. (Sections 1102 and 1107)
  - o Borrower eligible for loan forgiveness on amounts spent during an 8-week period after the origination date of the loan on qualifying payroll costs, interest payments on mortgages, rent, and utilities.
    - Amount forgiven is a function of number of employees retained. (Section 1106)
2. **Economic Injury Disaster Loan** - Grants of up to \$10,000 to provide immediate relief for small business operating costs. (Section 1107) \$10 billion for Small Business Administration (SBA) emergency
3. \$17 billion for SBA to cover 6 months of payments for small businesses with existing SBA loans. (Section 1107)

### **Employee Retention Tax Credits**

Provides a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.

The credit is generally provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from March 13, 2020 through Dec. 31, 2020. (Section 2301)

#### **Modification of limitation on business interest**

Temporarily increases the limitation on the ability to deduct interest expenses from 30 percent to 50 percent of taxable income for 2019 and 2020. (Section 2306) *(This may necessitate filing amended or superseded 2019 returns.)*

#### **Technical amendment on qualified improvement property**

Enables businesses to immediately write off costs associated with improving facilities instead of depreciating them over the life of the building. Would allow amending a prior year return to take advantage of this provision and correct a drafting error in the 2017 tax reform law. (Section 2307)

#### **Modifications for net operating losses**

Provides that a net operating loss (NOL) from 2018, 2019 or 2020 can be carried back five years, and temporarily removes the taxable income limitation to allow a NOL to fully offset income. (Section 2303)

#### **Modification of loss limitation for taxpayers other than corporations**

Allows pass-throughs and sole proprietors to benefit from the relaxed NOL carryback. (Section 2304)

#### **Modification of AMT credits**

Accelerates the ability for companies to claim eligible alternative minimum tax (AMT) credits now instead of as originally expected through 2021. (Section 2305)

#### **Limitations on Paid Leave**

Limitations on mandated family and sick leave, enacted in the phase 2 coronavirus legislation. (See Novogradac [Client Alert: Highlights from H.R.6201 - Families First Coronavirus Response Act.](#)) (Secs. 3601 and 3602)

#### **Forbearance of Residential Mortgage Loan Payments for Multifamily Properties with Federally Backed Loans.**

Provides up to 90 days of forbearance for multifamily borrowers with a federally backed multifamily mortgage loan who have experienced a financial hardship. Borrowers receiving forbearance may not evict or charge late fees to tenants for the duration of the forbearance period. Applicable mortgages include loans to real property designed for five or more families that are purchased, insured or assisted by Fannie Mae, Freddie Mac or HUD. (Section 4023)

#### **Temporary Moratorium on Eviction Filings.**

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. (Section 4024)

### **\$500 Billion Treasury Exchange Stabilization Fund**

Provides \$454 billion for loans, loan guarantees and other investments in support of the Federal Reserve's lending facilities to eligible businesses, states and municipalities. (Sec. 4003) Contains limits on employee compensation. Provides \$46 billion for direct lending to air carriers and ancillary services, and businesses important to maintaining national security.

### **Delay of employer payroll tax payments**

Allows employers and self-employed individuals to defer payments of the employer share of the Social Security tax on behalf of their employees. Deferred payments must be paid over the following two years, with half due by Dec. 31, 2021 and the other half by Dec. 31, 2022. (Section 2302)

## **Overview of selected fiscal year (FY) 2020 supplemental appropriations**

### **Coronavirus Relief Fund**

Provides **\$150 billion** to states territories and tribal governments to use for expenditures incurred due to the public health emergency with respect to COVID-19 in the face of revenue declines, allocated by population proportions, with a minimum of \$1.25 billion for states with relatively small populations.

### **Federal Emergency Management Agency (FEMA) Disaster Relief Fund**

**\$45 billion** in supplemental funding for the Disaster Relief Fund to provide financial assistance to state, local, tribal and territorial governments, as well as private nonprofits providing critical and essential services. Some of this funding could be used for housing assistance.

### **HUD Supplemental Funding (\$17.4 billion total)**

- **\$5 billion** Community Development Block Grants (CBDG).
- **\$4 billion** McKinney-Vento Homeless Emergency Solutions Grants.
- **\$1.25 billion** Tenant-Based Rental Assistance (TBRA)/Housing Choice Vouchers (HCV).
- **\$1 billion** Project-Based Rental Assistance (PBRA).
- **\$685 million** Public Housing Operating Fund.
- **\$300 million** Native American Programs.
  - **\$200 million** Native American Housing Block Grants, and
  - **\$100 million** for Indian Community Development Block Grants.
- **\$50 million** Section 202 Supportive Housing for the Elderly Program.
- **\$65 million** Housing Opportunities for Persons With AIDS (HOPWA).
- **\$15 million** Section 811 Supportive Housing for Persons with Disabilities.

### **Treasury Supplemental Funding**

- **\$250 million** IRS funding to support extended filing season and cost of implementing the bill.

# Individuals

## **2020 recovery rebates for individuals**

Provides checks of up to:

- \$1,200 for single taxpayers
- \$2,400 for married joint filers
- \$500 for each dependent child

These checks are based on federal 2018 returns. They are reduced for higher income taxpayers, with phaseouts beginning at \$75,000 for single taxpayers and \$150,000 for married joint filers, and ending for single taxpayers with incomes exceeding \$99,000 and married joint filers with no children and incomes exceeding \$198,000.

Taxpayers with little or no income tax liability, but at least \$2,500 of qualifying income, would be able to receive: \$600 for single taxpayers \$1,200 for married joint filers

Qualifying income includes earned income, Social Security retirement benefits and certain compensation and pension benefits paid to veterans. (Section 2201)

**Unemployment Insurance** - Provides expanded unemployment insurance benefits. The bill:

1. Creates a temporary Pandemic Unemployment Assistance program for 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.
2. Provides payments to states to reimburse nonprofits, government agencies, and Indian tribes for half of the costs they incur through December 31, 2020 to pay unemployment benefits.
3. Provides an additional \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months.
4. Provides funding to pay the cost of the first week of unemployment benefits for states that choose to pay recipients as soon as they become unemployed instead of waiting one week before the individual is eligible to receive benefits.
5. Provides an additional 13 weeks of unemployment benefits to help those who remain unemployed after weeks of state unemployment benefits are no longer available.
6. Provides funding to support "short-time compensation" programs, where employers reduce employee hours instead of laying off workers and the employees with reduced hours receive a pro-rated unemployment benefit. This provision would pay 100 percent of the costs they incur in providing this short-time compensation.
7. Provides funding to support states which begin "short-time compensation" programs. This provision would pay 50 percent of the costs that a state incurs in providing short-time compensation. (Sections 2102-2109)

### **Relaxation of Charitable Deduction Limits**

Allowance of \$300 above the line deduction for charitable contributions in 2020. (Section 2204)  
Suspends the 50 percent of adjusted gross income limitation for 2020.(For corporations, the 10-percent limitation is increased to 25 percent of taxable income.)(Section 2205)

### **Special rules for use of retirement funds**

Waives the 10-percent early withdrawal for distributions up to \$100,000 for coronavirus purposes. In addition, income attributable to such distributions would be subject to tax over three years and taxpayer may recontribute to an eligible retirement plan within three years without regard to the annual cap.

Coronavirus-related distributions include distributions to an individual:

1. Who is diagnosed with COVID-19
2. Whose spouse or dependent is diagnosed with COVID-19
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, 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 (Section 2202)

**Income tax exclusion for student loans** - Provide income tax exclusion for individuals who are receiving up to \$5,250 in student loan repayment assistance from their employer (Section 2206)

## **Next Steps**

The Senate is expected to pass this legislation today and the House is expected to pass it shortly thereafter. The White House has already announced its support for the legislation and is expected to sign it as soon as the House acts.

The Senate is expected to recess for a state work period shortly after passing the bill, and the House is expected to remain in a district work period until at least after the originally planned Easter recess, which is currently scheduled to end on April 20. Depending on the extent of the public health emergency, it is possible that Congress will extend the home work period and not return to Washington, D.C. for a few weeks past April 20.

Despite this extended recess period, Congress has already started working on a Phase 4 COVID-19 response bill, which is likely to include provisions addressing both continuing immediate needs, as well as more stimulus provisions to go beyond the short term economic needs. Many of these measures will focus on medium and longer-term economic recovery issues. As such, this Phase 4 bill will likely be a better legislative vehicle for community development tax provisions, such as the low income housing tax credit (LIHTC), new markets tax credit (NMTC), historic tax credit (HTC), and renewable energy tax credits (RETC).