

CompTIA

The CARES Act: Third COVID-19 Package

Summary of Relevant Provisions

This document summarizes provisions of potential interest to CompTIA members. However, it is by no means an exhaustive summary of the bill. For example, hundreds of pages in the bill related to disease prevention and response and airline recovery are skipped. Moreover, this summary is organized conceptually and does not correspond to the structure of the bill itself.

This document was prepared based on analysis of the final Senate text along with section-by-section summaries provided by various Senate committees, including the Appropriations Committee. While efforts have been made to ensure correctness, some provisions were being negotiated until shortly before the bill's passage – and after committee summaries were made public – so there may be a few discrepancies.

Overview

The CARES Act is the third and most wide-ranging COVID-19 response package. Estimates of the CARES Act's total cost exceed **\$2 trillion**, representing about 10% of the annual U.S. economy. **This easily makes the bill the largest economic package in U.S. history.** For comparison, total fiscal stimulus during the 2008-2010 financial crisis was approx. \$1.6 trillion via several different bills passed months apart. The budget of the entire federal government in FY19, including Social Security and Medicare, was \$4.4 trillion.

The first package was the Coronavirus Preparedness and Response Supplemental Appropriations Act (March 6) which provided \$8 billion for preparedness.¹ The second bill was the Families First Coronavirus Response Act (March 18) which provided emergency appropriations to agencies, implemented emergency sick leave and family leave, and addressed school lunches and food stamps among other topics.²

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¹ Pub. L. No. [116-123](#), Mar. 6, 2020.

² Pub. L. No. 116-127, Mar. 18, 2020 ([H.R. 6201 enrolled version](#))

I. Loans and Grants for Businesses

SBA Paycheck Protection Program – sections 1102 & 1106. \$350 billion loan program with a forgiveness element that is designed for small businesses to keep their employees on payroll during the crisis. The program will be administered by the Small Business Administration (SBA) through their existing Section 7(a) loan program, albeit with significant expansions. Loans will be provided by banks and guaranteed by the SBA. This program is intended to help potentially millions of small businesses. More details will be provided by the SBA and the banks in the coming weeks.

- Eligible entities include small business concerns, 501(c)(3) charitable nonprofits, and 501(c)(19) veterans organizations. Sole proprietors, independent contractors, and other self-employed individuals are also eligible. Loans will be administered by banks but guaranteed 100% by the SBA, with borrower and lender fees waived.
- Small businesses of up to 500 employees are eligible, and larger businesses may be eligible if they meet the SBA’s sector-specific [size standards](#) for what constitutes a small business. For example, businesses with NAICS code 334111 (Electronic Computer Manufacturing) are considered to be small businesses if they have 1,250 or fewer employees.
- The loan amount is based on a calculation tied to the actual payroll costs recently incurred by the business or nonprofit, with a maximum of \$10 million. The maximum interest rate that banks may charge is 4% by law, but may be lower in reality.
- The covered period for the loan is February 15 through June 30, 2020. Loan proceeds can be used for payroll (including benefits), rent, and debt service. But they cannot be used for overseas employees or to cover costs associated with employees making \$100,000 or more.
- Loans will be forgiven up to the amount spent in an 8-week period beginning on the origination date. However, forgiveness will be reduced on a pro-rata basis if the number of employees is reduced during the time period. The forgiveness means that at least a portion of the loan is effectively a grant of free money, although interest and regular payments must be made until the loan is actually paid in full.
- It will be a few weeks (at best) before the necessary regulatory guidance is published by the SBA and banks start offering the loans.

SBA Economic Injury Disaster Loans (EIDL) – section 1110. \$10 billion for SBA Economic Injury Disaster Loans (EIDLs). EIDLs only apply once all “reasonably available” funds have been exhausted, and only if “you are unable to obtain credit elsewhere.” The loans are typically offered after natural disasters (hurricanes etc.) but are being expanded to cover this emergency.

Subsidy for existing SBA loans – section 1112. \$17 billion for SBA to pay the principal, interest, and fees on existing SBA section 7(a) loans (and a few others) for a six-month period.

Federal Reserve loans for larger businesses – section 4003. \$454 billion for the Federal Reserve to provide loans to eligible businesses, states, and localities for whom alternative financing is not reasonably available. An “eligible business” is one that has not otherwise received adequate relief under the Act.

- The interest rate must be risk and pre-outbreak market based, the loan duration must be 5 years or less, no stock buybacks or dividends are permitted, and no loan forgiveness is permitted. No recipients can increase the compensation of any officer or employee whose total compensation is above \$425,000.
- Medium-sized businesses. Treasury will endeavor to implement a special facility targeted specifically at nonprofit organizations and businesses between 500 and 10,000 employees, subject to additional requirements such as: 90% of employees must be retained through September, no outsourcing of jobs for the loan term plus two years, no abrogation of collective bargaining agreements for the loan term plus two years, remain neutral in any union organizing effort.

Financing standards – sections 4011-4016. The bill contains numerous provisions that are designed to make capital more easily available through banks and credit unions. This may indirectly impact CompTIA members of various sizes.

II. Tax Relief for Businesses

Payroll tax credit for employers impacted by COVID-19 closures – section 2301. The provision 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 based on qualified wages paid to the employee. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.
- The credit is 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 December 31, 2020.

Delay of payment of employer payroll taxes – section 2302. The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. Employers generally are responsible for paying a 6.2-percent Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022. The Social Security Trust Funds will be held harmless under this provision.

Other tax provisions. The bill contains several technical modifications to tax provisions that may provide relief to some businesses. Summaries of the provisions below are omitted here but can be provided upon request.

- **Modification of limit on charitable contributions during 2020 – sec. 2205**
- **Modifications for net operating losses – sec. 2303**
- **Modification of limitation on losses for taxpayers other than corporation – sec. 2304**
- **Modification of credit for prior year minimum tax liability – sec. 2305**
- **Modification of limitation on business interest – sec. 2306**
- **Technical amendment regarding qualified improvement property – sec. 2307**

III. Employee Leave and Benefits

The Families First Coronavirus Response Act (second package) was signed into law on March 18. It established new requirements regarding family & medical leave and sick leave for employers with less than 500 employees. In brief:

- The Emergency FMLA Expansion Act requires employers to provide 12 weeks of leave – unpaid for first 10 days and paid for remaining 10 weeks – to employees who cannot work due to caring for a child whose school has closed.
- The Emergency Paid Sick Leave Act requires 80 hours (two weeks) of paid sick leave for full-time employees, and two weeks of average hours worked for part-time employees. For employees subject to quarantine, self-isolation on doctor’s advice, or seeking diagnosis, the employee gets regular pay up to \$511 per day (\$5,110 total). For employees caring for sick people or staying home to care for a child, it’s two-thirds of pay up to \$200 per day and \$2,000 total.

The first two provisions in the CARES Act below modify the Families First Coronavirus Response Act.

Limitation on Paid Leave – sec. 3601. Creates a limitation stating an employer shall not be required to pay more than \$200 per day and \$10,000 in the aggregate for each employee under this section.

Emergency Paid Sick Leave Limitation – sec. 3602. Creates a limitation stating an employer shall not be required to pay more than \$511 per day and \$5,110 in the aggregate for sick leave or more than \$200 per day and \$2,000 in the aggregate to care for a quarantined individual or child for each employee under this section.

Tax-free employee student loan repayments – section 2206. Employers may contribute up to \$5,250 towards an employee’s student loans as a tax-free benefit during the remainder of 2020. Under current law, such payments are treated as taxable income. The credit would apply to student loan payments made after the effective date, and before January 1, 2021. This appears to be a temporary version of the proposed Employer Participation in Repayment Act that was introduced in Congress last year.

IV. Potential Business Opportunities

Subsections A, B, and C of the summary below include various authorizing provisions (policymaking) which may be of interest. Subsection D includes new appropriations (funding) for federal agencies related to IT and telecommunications.

A. Unemployment Administration

Emergency State Staffing Flexibility for unemployment claims – section 2106. Provides states with temporary, limited flexibility to hire temporary staff, re-hire former staff, or take other steps to quickly process unemployment claims.

Assistance & Guidance in implementing unemployment programs – section 2111. Requires the Department of Labor to disseminate model legislative language for states and provide technical assistance.

Unemployment insurance applications – section 3603. Provides that applications for unemployment compensation and assistance with the application process, to the extent practicable, be accessible in two ways: in person, by phone, or online.

B. Telehealth

Telehealth network and telehealth resource centers grant programs – section 3212. Reauthorizes Health Resources and Services Administration (HRSA) grant programs that promote the use of telehealth technologies for health care delivery, education, and health information services.

Rural health care services outreach, rural health network development, and small health care provider quality improvement grant programs – section 3213. Reauthorizes HRSA grant programs to strengthen rural community health by focusing on quality improvement, increasing health care access, coordination of care, and integration of services.

Encouraging the Use of Telecommunications Systems for Home Health Services in Medicare – section 3707. This section would require the Health and Human Services (HHS) to issue clarifying guidance encouraging the use of telecommunications systems, including remote patient monitoring, to furnish home health services consistent with the beneficiary care plan during the COVID-19 emergency period.

Telemental Health Services for Isolated Veterans (Appropriations section, p. 804) – Authorizes VA to ““enter into short-term agreements or contacts with telecommunications companies to provide temporary, complimentary or subsidized, fixed and mobile broadband services for the purposes of providing expanded mental health services to isolated veterans through telehealth.”

There are numerous other provisions generally designed to expand the use of telehealth, particularly during the COVID-19 emergency period.

C. Education

Workforce Innovation and Opportunity Act – section 3515. Provides local workforce boards with additional flexibility to use funds received under the Workforce Innovation and Opportunity Act for administrative costs, including for online resources. Allows Governors to utilize reserved workforce funds on rapid response activities in response to COVID-19.

D. Federal Agency Appropriations (Funding)

In addition to specific appropriations mentioned below, many agencies have received funding that may be used to support remote access and teleworking, among other purposes.

AGRICULTURE / Rural Business Cooperative Service – \$20.5 million. The bill provides the necessary subsidy to make \$1 billion in lending authority available for the Business and Industry loan guarantee program, which provides much-needed financing to business owners that might not be able to qualify for a loan on their own. (Unclear if this would help rural telecom coops but including it just in case).

AGRICULTURE / Rural Utilities Service / ReConnect Pilot – \$100 million (pp. 613, 619). The bill provides grants for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas.

- Requires that “at least 90 percent of the households to be served by a project receiving a grant shall be in a rural areas without sufficient access to broadband” and that “for the purposes of such pilot program, a rural areas without sufficient access to broadband shall be defined at 10 Mbps downstream and 1 Mbps upstream” and that “such definition shall be reevaluated and redefined, as necessary, on an annual basis by the Secretary of Agriculture.”
- Any entity receiving a grant “shall not use a grant to overbuild or duplicate broadband expansion efforts made by any entity that has received a broadband loan from the rural

utilities service” and that “priority consideration for grants shall be given to previous applicants now eligible as a result of adjusted eligibility requirements.” (sec. 11004, p. 619).

AGRICULTURE / Rural Utilities Service / Distance Learning, Telemedicine (DLT), and Broadband Program – \$25 million (p. 613). The bill provides additional funding for the DLT grant program, which supports rural communities’ access to telecommunications-enabled information, audio, and video equipment, as well as related advanced technologies for students, teachers, and medical professionals. Appropriation is to “prevent, prepare for, and respond to coronavirus, domestically or internationally, for telemedicine and distance learning services in rural areas.”

HHS / Centers for Disease Control and Prevention / Public Health Data Surveillance and Infrastructure Modernization -- \$500 million (p. 729). Per summary, “\$500 million to invest in better COVID- 19 tools and build state and local public health data infrastructure.” Official purpose in bill text is “public health data surveillance and analytics infrastructure modernization.”

Corporation for Public Broadcasting (p. 770) -- \$75 million. \$75 million for CPB to “prevent, prepare for, and respond to coronavirus, including for fiscal stabilization grants to public telecommunications entities” with “no deduction for administrative or other costs of the Corporation, to maintain programming and services and preserve small and rural stations threatened by declines in non-Federal revenues.”

DEFENSE / IT procurement – \$300 million (?). “To procure IT equipment and increase bandwidth.” NOTE: this item is mentioned in a summary document CompTIA received from the Appropriations Committee on March 25, but is not specifically identified in the bill text. However, it is quite possible that the money has (or will) be designated through report language or other means not yet readily identifiable.

EDUCATION / Elementary and Secondary Education -- \$13.5 billion (pp. 752-759). Official summary: “\$13.5 billion in formula funding directly to states, to help schools respond to coronavirus and related school closures, meet the immediate needs of students and teachers, improve the use of education technology, support distance education, and make up for lost learning time.”

- Bill analysis: \$13.2 billion to the Education Department for an “Elementary and Secondary School Emergency Relief Fund.” Eligible uses of funds include, among things, “[p]urchasing educational technology (including hardware, software, and connectivity) for students who are served by the local educational agency that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and students with disabilities, which may include assistive technology or adaptive equipment.” Funding would be distributed to states in the form of block grants, and states in turn would award funds to local educational agencies and charter schools. (Page 759)

Election Security Grants – \$400 million (p. 668). \$400 million to the Election Assistance Commission to provide grants to the States in response to the coronavirus for the 2020 election cycle. (Unclear if this could be used to support IT related to voting, but possibly so.)

Federal Communications Commission – \$200 million (p. 670). \$200 million for the FCC to “prevent, prepare for, and respond to coronavirus, domestically or internationally, including to support efforts of health care providers to address coronavirus by providing telecommunications services, information services, and devices necessary to enable the provision of telehealth services during an emergency period.

- The FCC “may rely on the rules of the Commission under part 54 of title 47, Code of Federal Regulations, in administering” the \$200 million. This allows the FCC to administer such funding through USF support mechanisms, including its Connected Care Pilot program.

Institute of Museum and Library Services – \$50 million (p. 770-771). \$50 million to “prevent, prepare for, and respond to coronavirus, including grants to States, territories, and tribes to expand digital network access, purchase internet accessible devices, and provide technical support services.” It also waives any matching funds requirements for States, tribe, libraries, and museums.

VETERANS AFFAIRS / Information Technology -- \$2.15 billion (p. 800). Official summary: supports increased telework, telehealth, and call center capabilities to deliver healthcare services directly related to coronavirus and mitigate the risk of virus transmission. This includes the purchasing of devices, as well as enhanced system bandwidth and support.

V. Individual Provisions

These provisions probably do not apply directly to CompTIA member companies. However, they will apply widely across the country and will therefore be of general interest.

A. 2020 Recovery Rebate Checks and Other Tax Provisions

Rebate checks – section 2201. \$1,200 per adult (\$2,400 married) plus \$500 per child, up to an adjusted gross income of \$75,000 (\$150,000 married). The amount is completely phased out for incomes above \$99,000 (\$198,000 married). Rebates will be based on the taxpayer’s 2019 tax return if filed, otherwise the 2018 tax return. In most cases, no action is needed by eligible taxpayers to receive a check or direct deposit. The IRS must make rebate payments “as rapidly as possible.”

- The latest word from the Hill is that payments will be made in three tranches, and may take six weeks at the earliest. Those who filed in 2018 and 2019 and used direct deposit will receive their rebates the fastest, along with those who receive Social Security by direct deposit.

- The second tranche will include those who filed in 2018 and 2019 but did not provide direct deposit information, who will receive checks in the mail. The final group will include those who have not yet filed 2019 returns and/or must file a nominal return to receive a rebate.

Waiver of 10% early-withdrawal penalty for retirement funds – section 2202. The 10 percent early withdrawal penalty that normally applies to retirement accounts will be waived for distributions up to \$100,000 made in 2020. Any income tax owed would be subject to tax over three years.

Waiver of RMD for certain retirement plans – section 2203. The required minimum distribution requirements that normally apply to seniors above a certain age, that is, to take 401(k) and IRA distributions, are waived for 2020. Among other purposes, the idea is to avoid forcing people to take money out of the market during a severe downturn.

\$300 above-the-line charitable deduction – section 2204. Allows a \$300 charitable deduction for taxpayers who do not itemize their deductions (most people). NOTE – an earlier summary says “regardless of whether a taxpayer itemized,” but the final text appears to apply to non-itemizers only.

Suspension of 50% limit for charitable deduction – section 2205. For individuals who itemize, the 50 percent of AGI limit that normally applies to charitable deductions is suspended for 2020.

B. Unemployment Insurance

Pandemic Unemployment Assistance for non-employees – section 2102. Provides payments to those not traditionally eligible for unemployment, including the self-employed, independent contractors, those with limited work history, and others.

Extra \$600 per week (Federal Pandemic Unemployment Compensation) – section 2104. Provides an additional \$600 per week to each recipient of (regular) unemployment insurance or Pandemic Unemployment Assistance for up to four months.

Extra 13 weeks – section 2107. Provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those whose state unemployment benefits have been exhausted.

C. Education and Health Care

Temporary Relief for Federal Student Loan Borrowers – section 3513. 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.

There are numerous additional provisions providing relief for students who are currently in school.

Over-the-Counter Medical Products without Prescription – section 3702. This section would allow 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.

Numerous other health-care delivery provisions are in the bill, but mainly for implementation by insurers or providers.

E. Housing and Credit Protection

Credit Protection During COVID-19 – section 4021. 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.

Foreclosure Moratorium and Consumer Right to Request Forbearance – section 4022. 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.

Temporary Moratorium on Eviction Filings – section 4024. 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.

- While the eviction moratorium only covers properties with a mortgage, some states are now implementing blanket prohibitions on evictions.