



retail strategies

CARES Act Economic Relief Plan Overview

City & State, Small Business, and
Retailer Opportunities

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Subject to Change

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COVID-19

CARES Act Economic Relief Plan Overview

Congress' \$2 trillion coronavirus stimulus package is the rare bipartisan legislative agreement that will have an immediate and lasting impact on ordinary citizens around the country.

Thousands of dollars in direct payments to most Americans, as well as a huge loan package designed to help keep small businesses afloat as Main Street struggles through what could become the worst recession in American history will soon be available.

Direct Payments

Americans will receive a one-time direct deposit of up to \$1,200, and couples will receive \$2,400. The payments will be phased out based on income levels, before ending for those earning more than \$99,000 annually. Families receive an additional \$500 per child.

Small Businesses

Small businesses will receive \$367 billion to keep making payroll while workers have to stay home. Companies with 500 employees or less that keep paychecks steady could get up to \$10 million each in forgivable small business loans. Federally guaranteed loans will provide eight weeks of assistance for qualifying employers who maintain payroll. Those who meet requirements would have costs such as utilities, mortgage interest and rent forgiven.

States and Local Governments

States and local governments will receive \$150 billion, with \$8 billion set aside for tribal governments.



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Federal Coronavirus Stimulus Package

The Unemployed

The program's extended unemployment insurance program ensures laid-off workers, on average, will receive their full pay for four months. It also allows furloughed workers to stay on as employees, so that when the crisis ends they can quickly resume work. The deal extends to gig economy workers, such as Uber drivers as well.

Hospitals and Health Care Workers

The deal injects \$100 billion into hospitals and the nation's health system, and billions more into providing personal and protective equipment for health care workers, testing supplies, and increased workforce and training.

Industry

Big businesses like airlines and others will receive \$500 billion in loans, which would ideally help stave off layoffs for employees in these industries.

Payroll Taxes

The measure enables individuals to defer payment of their 2020 payroll taxes until 2021 and 2022.



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City & State Funding Opportunities

\$150 billion in aid for states and local governments

- That money will go to states and localities who are so hard pressed because of all the new expenses that COVID-19 puts upon them, and because they're not getting the resources they usually get.
- \$150 billion will be provided in direct aid to states, distributed according to population size. **A municipality could apply to receive aid directly**, reducing the amount available to the rest of the state.
- The largest sources of revenue for the states are the personal income and **sales taxes** although not all states have an income tax.
- Both these revenue sources will decline significantly as **home-bound consumers reduce their spending** and layoffs and reductions in worker hours increase. Additionally, the normal April 15th federal deadline for filing and payment of both 2019 individual taxes and first quarter 2020 estimated taxes has been delayed until July 15, and many states are delaying their own deadlines. That means they won't be able to count on that money for the current fiscal year, which in most states ends on June 30th.
- In 2016, income tax accounted for more than 23% of state revenue, according to the Tax Foundation.
- **States that rely disproportionately on sales tax revenues (like Florida and Washington, which have no income tax) could be hit particularly hard.** So too could states like New York and California, which have a high reliance on the individual income tax, but have shut down more of their businesses. New York and California also get healthy amounts from taxing capital gains, which could plummet with the bear market.
- States will also have to ramp up their spending in the months to come, both to maintain essential services like Medicaid during the outbreak and to support a massive uptick in unemployment.
- In addition to federal aid, **states also have the option to access their own emergency reserves called rainy day funds**, which are intended to help fill budget gaps and allow states to respond to unexpected events like the coronavirus outbreak. **Overall rainy day fund balances are at an all-time high**, but spending levels are still not back to their pre-2008 levels and budgets have become more rigid as fixed costs (like Medicaid) have ballooned; this means that despite record-high levels of emergency cash, states may not have enough on hand to endure a prolonged economic downturn.



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Small Business Funding Opportunities

The Senate's plan currently supports American small businesses in the following ways:

- A 50% refundable payroll tax credit on worker wages will further incentivize businesses, including ones with fewer than 500 employees, to retain workers
- Looser net operating loss-reduction rules that will allow businesses to offset more
- A delay in employer-side payroll taxes for Social Security until 2021 and 2022
- Sole proprietors and other self-employed workers could be eligible for the expanded unemployment-insurance benefits the bill provides
- A portion of the \$425 billion in funds appropriated for the Federal Reserve's credit facilities will target small businesses

The Small Business Administration, under the stimulus package, will oversee the **Paycheck Protection Program**, which will distribute \$350 billion to small businesses that can be partially forgiven if the companies meet certain requirements. The loans will be available to companies with 500 or fewer employees.

Businesses can receive loans up to \$10 million, based on how much the company paid its employees between Jan. 1 and Feb. 29. The loans will carry an interest rate up to 4%. The bill provides for an expedited origination process.

If the business uses the loan funds for the approved purposes and maintains the average size of its full-time workforce based on when it received the loan, the principal of the loan will be forgiven.



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Retailer Funding Opportunities

Hotels

The majority of U.S. hoteliers qualify as businesses with fewer than 500 employees, making less than \$35 million in annual revenue, and therefore, qualify for the \$350 billion in loans and grants for small businesses. Language was included in the bill that defines each individual hotel as its own business.

Retailers

Retailers won a correction that was already in the works to a drafting error in the 2017 Tax Cuts and Jobs Act that required them to expense property improvements over 39 years, instead of in the first year as was initially intended. Because of the mistake, retailers, along with restaurants and hotels that made such improvements over the last two years, overpaid their taxes by as much as \$30 billion. The bill allows that money to flow back to these companies. This was far less than many national retailers lobbied for.

Restaurants

For restaurants, a range of operations are set to be eligible for small-business loans. Previous versions of the loan provision had capped the employee head count at 500, smaller than many franchised operations. Now, most franchisees should qualify for the program.

Small Businesses

The bill allows businesses and non-profits with up to 500 employees in a single location to apply through qualifying banks for loans backed by the Small Business Administration. The loans would convert to grants that don't have to be repaid for amounts spent on items such as payroll, rent or utilities, with the grants reduced when workers are laid off. The loans will be capped at \$10 million and cover wages up to \$100,000 a year.

Other Community Development Opportunities

Farmers

The bill directs more than \$48 billion to agriculture and nutrition programs, with \$9.5 billion specifically to support producers of specialty crops, livestock and dairy, as well as those farmers who supply farmers markets, restaurants and schools.

Music

The bill provides expanded unemployment and small-business loans to independent contractors and sole proprietors. Charitable organizations affiliated with the music business could receive grants from the new funding for the National Endowment of the Arts.



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