

# Wentz Weekly

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## Phase 3 Fiscal Stimulus Set for Approval



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After two failed attempts and additional negotiations, the third time was a charm as the Senate passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) by a vote of 96-0. The Act is “Phase 3” in a series of fiscal legislation in effort to support U.S. businesses, individuals and the health care system. The purpose of the phase 3 bill is to “provide emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic.”

The stimulus bill is estimated to be around \$2 trillion, with the authorization of a credit facility by the treasury which would provide an additional \$4 trillion in loans and loan guarantees to businesses. These two amounts together total 28% of annual U.S. GDP (St. Louis Fed - 2019).

A high level view of the bill includes \$250 billion for direct payments to individuals, \$377 billion for small businesses to subsidize payroll, 4 months unemployment insurance (with unlimited funding, so the total \$2 trillion number could be much higher), \$500 billion in relief for impacted industries including \$50 billion for airlines, \$150 billion for state/local governments, \$150 billion for health care sector, a moratorium on evictions and mortgage payments, provisions for retirement plan distributions, and authorization of a credit facility providing \$4 trillion in loans to businesses.

Details of the bill include the following:

- Direct payments to individuals
  - \$1,200 per adult, plus \$500 per dependent.
  - Phase out starts at those making \$75k, those filing jointly the phaseout starts at \$150k. Based on 2018 tax return.
  - No date on payments, but verbiage states “as rapidly as possible”. The expectation is mid-April.
- \$377 billion to small businesses to cover payroll until June 30 (covers those that make up to \$100k).
  - These would effectively become grants if used to pay wages.
- Unemployment compensation expanded to 39 weeks instead of 26, and increasing the benefit amount by \$600, which could cover over 100% of most salaries/wages. No limitations on funds. States fully reimbursed for claims.
- \$150 billion for state and local governments to shore up their fiscal position. This is in addition to the \$50 billion in increased payments to state governments through the Medicaid program (this was is the phase 2 bill).
- Allows individuals to withdraw up to \$100,000 from retirement accounts without tax penalties, however you/spouse must be eligible. Eligibility includes those diagnosed with COVID-19, financial hit from being quarantined, laid off, not working due to childcare, among others.
  - Distributions can be repaid over a 3-year period.
  - Taxable income can be spread over a 3-year period.
- No Required Minimum Distributions required in 2020.
- \$462 billion in loans and loan guarantees for eligible businesses, plus \$50 billion for airlines (half for operating the business, half for worker salaries. Also, treasury gets equity stake in the companies), \$8 billion for air cargo, \$17 billion for national security businesses (which is expected to be mainly the aerospace industry).
  - Firms receiving these benefits are prohibited from increasing dividends or buying back stock for one year after the loan has been repaid.
  - Firms must retain at least 90% of their employment for at least one year after loan repaid.
  - None of these loans are eligible to be forgiven
- Employer payroll tax will be delayed. Half due end of year 2021, half due end of year 2022.
- FDIC will provide unlimited deposit insurance until end of 2020.
- \$100 billion for hospital costs.
- Encourage use of telehealth. Removed restrictions and offers grants.
- \$50 billion for equipment for the health care system.
- OTC drugs can be determined safe and effective by FDA without approved drug application, speeding up the approval process.
- \$30 billion in education funding.
- Payments for federal student loans suspended through 9/30/20, with no interest accrued during that period.
- 120 day moratorium on evictions.
- Forbearance on federally-backed mortgages for 60 days.
- \$25 billion for mass transit systems
- \$340 billion for government agencies.

To view the complete 883 page text of the bill, visit [this link](#).

Now that Congress has completed phase 3 of fiscal stimulus, pending a House vote and President’s signature, there is the expectation we will be seeing a phase 4 in the foreseeable future. Several House Representatives have been on record saying there is no question more money will be needed for businesses and individuals. Stay tuned.

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