



# **UPDATE ON FEDERAL STIMULUS EFFORTS IN RESPONSE TO COVID-19**

**UPDATED: MAY 1, 2020**

**PREPARED BY:  
RASKY PARTNERS, INC**

[rasky.com](http://rasky.com)

# UPDATE ON FEDERAL STIMULUS EFFORTS IN RESPONSE TO COVID-19

The following COVID-19 stimulus update outlines the latest progress regarding potential CARES 2 provisions, along with developments with regards to the Paycheck Protection Program. The House will not be in session next week, but the Senate plans to return despite the COVID threat. Some select members of relevant committees in the House, however, will be present and tasked with drafting CARES 2.

---

## CARES 2 – PHASE FOUR OF STIMULUS LEGISLATION

### BACKGROUND

After the “interim” stimulus package was signed into law last week, lawmakers turned their attention towards CARES 2, the fourth phase of stimulus to combat the economic effects of COVID-19. With the economy stalled, the next coronavirus spending bill may end up being more costly than the \$2.2 trillion package enacted on March 27.

### Democratic Priorities:

- Liability protections
  - Speaker Nancy Pelosi (D-CA) said Wednesday that Democrats will not support the business liability protections that Senate Majority Leader Mitch McConnell (R-KY) is requesting appears in the next CARES Act
- States and local governments
  - Speaker Pelosi (D-CA) stated this week that Democrats will push for including almost \$1 trillion in the next relief package for states and local governments hit hard by the pandemic
  - State governments are still finalizing their request but so far have sought \$500 billion, while local governments have a similar figure
  - Pelosi has said she wants to make sure that medical workers and other first responders are not laid off as a result of economic pressure on states around the country
- Emergency connectivity funds
  - Senate Democrats plan to introduce a bill next week (to be included in CARES 2) that would provide \$4 billion to send Wi-Fi hotspots to K-12 students without internet at home during the pandemic
    - The bill aims to address the homework gap highlighted during the pandemic as more than 55 million students were sent home from school
  - Introduced by Senators Ed Markey (D-MA), Chris Van Hollen (D-MD), Michael Bennet (D-CO) and Maggie Hassan (D-NH)

## RASKY PARTNERS, INC.

---

- Job-training funds
  - House Education and Labor Committee Chairman Bobby Scott (D-VA) introduced a proposal to spend \$15 billion on workforce-training programs, dwarfing the commitment in the \$2.2 trillion CARES Act, which featured a \$345 million grant program for unemployed workers
  - The bill would give states funding to beef up vocational training programs and other employment services to aid the flood of newly jobless workers, a number that has now eclipsed 30 million
- SNAP benefits
  - This week, Senators Jeff Merkley (D-OR), Chris Murphy (D-CT) and nearly two dozen others wrote to Senate leadership asking to raise benefits by 15% as well as increase the monthly minimum SNAP benefit from \$16 to \$30 for all households
  - The nation's largest network of food banks, Feeding America, is also launching a \$500,000 monthlong digital ad campaign targeting a handful of key senators to build pressure to boost SNAP benefits in this next round of stimulus
    - The anti-hunger groups are also asking for a 15% increase in SNAP benefits during the increase in unemployment

### **GOP Priorities:**

- Liability protections
  - Majority Leader Mitch McConnell (R-KY) has demanded that liability protections for businesses be included in the next coronavirus stimulus bill, threatening that without them, it will not pass in the Senate
  - Trump's economic adviser, Larry Kudlow, said that the administration believes liability reforms and safeguards are going to be very important part of CARES 2
- States and local governments
  - Funding for states and local governments is facing some Republican blowback – GOP leaders rejected it in the last “interim” coronavirus bill
  - However, House Minority Leader Kevin McCarthy (R-CA) indicated openness to it under the condition that states open their accounting books and prove that their expenses are virus-related to prevent them from using the funding for other fiscal burdens
- Payroll tax cut
  - A big cut in payroll tax is high on Trump's wish list – but that idea is getting the brushoff from newly-cost-conscious Republicans and Democrats who would rather send aid to people who aren't getting a paycheck

### **Bipartisan Priorities – Updates**

- Post Office help
  - House Oversight and Reform Chairwoman Carolyn Maloney (D-NY) and House Homeland Security Emergency Preparedness Subcommittee Ranking Member Peter King (R-NY) were among lawmakers who sent a letter to House and Senate leadership this week urging funding for the U.S. Postal Service as it faces steep revenue drops and a potential shutdown with the coronavirus pandemic

- More medical visas
  - A bipartisan group of senators said they will introduce legislation to temporarily address a shortage of doctors and nurses in the U.S. due to coronavirus
  - The proposal would reallocate about 40,000 unused visas already approved in prior years for doctors and nurses, Sen. David Perdue (R-GA) said in a statement

### PROSPECTS

The timing of CARES 2 remains unclear – Pelosi has set a tentative return date for the week of May 11, although some committees are expected to be back earlier to work on CARES 2



## PAYCHECK PROTECTION PROGRAM UPDATES

### BACKGROUND

Last week, the “interim” stimulus package was signed into law, pumping \$321.3 billion into the Small Business Administration’s Paycheck Protection Program, a funding process that helps small businesses keep payroll. Lack of guidance from the SBA and Treasury has wreaked havoc among the business community, increasing the likelihood that CARES 2 will include provisions that alter some of the program’s rules.

### FED EXPANDS MAIN STREET LENDING PROGRAM TO MORE LENDERS

The Fed said in a statement that it broadened access to its PPP Liquidity Facility to additional lenders such as non-depository institutions

- The central bank also widened the collateral that can be pledged
- The Trump administration on Thursday laid out criteria allowing non-bank lenders to handle loans “to ensure broad and diverse lender participation”

### VIRUS LOANS FOR SMALL FIRMS CAPPED AT \$20 MILLION

The Trump administration limited to \$20 million the value of loans that corporate groups can obtain from the PPP after outrage over reports that big companies and brand-name chains got federal aid

- This new rule applies if businesses are “majority owned, directly or indirectly, by a common parent”

## JUSTICE DEPARTMENT SEES EARLY FRAUD SIGNS IN SBA LOAN FLURRY

The Justice Department has begun a preliminary inquiry into how taxpayer money was lent out under the Paycheck Protection Program and has already found possible fraud among businesses seeking relief, a top official said

- The review has already turned up several red flags in the data prosecutors have examined over the past week
- Issues were found in both approved and rejected applications
- Several authorities will be empowered to watch how trillions of dollars in federal aid is distributed, including the Government Accountability Office, the nonpartisan congressional watchdog; a separate congressional panel that has yet to form; and an inspector general who is awaiting confirmation by the Senate

## IRS DENIES DEDUCTIONS FOR FORGIVEN PPP LOANS

Small businesses that manage to get their Paycheck Protection Program loans forgiven may find themselves losing valuable tax breaks, according to new guidance from the Internal Revenue Service

- Companies that qualify for loan forgiveness under legislation Congress approved won't be able to deduct the wages or other businesses expenses they paid for using the loan, according to an IRS notice published yesterday

## AMERICAN INSTITUTE OF CPAS OUTLINES GUIDANCE REQUESTS SURROUNDING LOAN FORGIVENESS

For the purposes of calculating the loan forgiveness amount under the PPP, AICPA released the following recommendations for businesses that have been affected by the government operating restrictions:

- The 8-week covered period under PPP should align with the beginning of a pay period, not the date loan proceeds are received;
- The 8-week period should commence when restrictions are lifted and the borrower is allowed to operate, not when loan proceeds are received, so small businesses have adequate funds to ramp up operations;
- Full-time job equivalents (FTEs) can be calculated using a simple wage-based proxy when hours worked are not tracked by the employer, and;
- Payroll reduction calculations should be based on average payroll per employee per week, not total compensation per employee