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House Democrats unveil coronavirus stimulus proposal as Senate bill stalls again

As Senate Republicans struggled to advance a tax-and-spending proposal aimed at providing additional economic stimulus to address the impact of the coronavirus pandemic, House Democrats on March 23 released their own proposal that, on initial inspection, appears to emphasize spending and tax cuts for individuals over significant business tax relief.

House bill overview

For businesses, the House bill – dubbed the Take Responsibility for Workers and Families Act – calls for limited tax relief, most notably through a temporary five-year carryback of net operating losses (NOLs) for NOLs arising in 2018, 2019 and 2020 – a provision that is similar, but not identical, to one included in the Senate’s the Coronavirus Aid, Relief, and Economic Security (CARES) Act. (The House proposal includes certain restrictions that are not in the Senate bill.)


Unlike the Senate proposal, the House bill calls for an employee retention credit to encourage employers to maintain headcounts even if employees cannot report to work because of issues related to the coronavirus, provisions to modify funding rules and amortization standards for certain employee pension plans, and provisions intended to shore up financially struggling multiemployer pension plans.
The House bill also proposes to build on the refundable tax credits for employers that offer paid sick leave and paid family and medical leave under the mandates established in the Families First Coronavirus Response Act (P.L. 116-27), which President Trump signed into law on March 18. (For prior coverage, see Tax News & Views, Vol. 21, No. 11, Mar. 17, 2020, and Tax News & Views, Vol. 21, No. 12, Mar. 18, 2020.)

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The measure does not, however, include key business tax proposals in the Senate’s CARES Act that, among other things, would defer implementation of the excess business loss rules under section 461(l); allow immediate refundability of previously generated corporate AMT credits; generally loosen the business interest limitation under section 163(j) from 30 percent to 50 percent; and fix the “retail glitch” for qualified improvement property.

For individuals, the House measure includes larger direct cash payments than the Senate bill, along with other items not included in the Senate proposal, such as expansions of the earned income tax credit, the child tax credit, the child and dependent care tax credit, and the exclusion for employer-provided dependent care. Proposals for penalty-free access to funds in retirement savings accounts and more generous rules governing retirement plan loans for individuals who need to cover emergency expenses related to the coronavirus appear similar to those in the Senate measure, as does a proposal to temporarily suspend minimum distribution requirements.

The measure also includes a number of health care-related tax provisions that would provide relief to individuals and hospitals as well as a variety of nontax provisions addressing the impact of the coronavirus on individuals and substantial additional federal spending to support coronavirus mitigation and response efforts.

Additional details are available in a summary prepared by House Democratic staff.


CARES Act remains stalled in the Senate

Release of the House bill came as Senate Republicans failed for a second consecutive day to overcome Democratic objections and advance the CARES Act toward final passage.

The revised language for the CARES Act was unveiled on March 22 and an initial procedural vote later that day to end debate on a motion to proceed to the measure (one of a number of procedural steps necessary in the Senate to debate and approve the bill) was defeated by a vote of 47-47, short of the required 60-vote supermajority. (For prior coverage, see Tax News & Views, Vol. 21, No. 15, Mar. 22, 2020.)

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A second procedural vote to move the bill on March 23 likewise failed by a vote of 49-46. The vote tally fell almost entirely along party lines. Sen. Doug Jones, D-Ala., was the sole Democrat to cross the aisle. (Jones, who is up for re-election in November in a heavily Republican state, had voted against the procedural motion the previous day.)

Republicans, who control only 53 seats in the chamber, are missing five of their members, with Sen. Rand Paul of Kentucky confirmed with a case of coronavirus and Sens. Mitt Romney and Mike Lee of Utah, Rick Scott of Florida, and Cory Gardner of Colorado all self-isolating because of exposure to the virus.

What now?

Senate Minority Leader Charles Schumer, D-N.Y., said March 23 that negotiations on the Senate bill have continued throughout the day with the Trump administration, represented by Treasury Secretary Steven Mnuchin, and said on the Senate floor before the vote that he hopes there will be a deal today that includes worker protections and ensures that a $500 billion fund for industries has appropriate guardrails.

"We have an obligation to get the details right, get them done quickly," Schumer said. "That doesn't mean blindly accepting a Republican-only bill."

"We're going to get this done today," Mnuchin told reporters earlier in the day, after a meeting with Schumer. "Everybody is working very hard, so we look forward to a big vote today."

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An open question at press time is the potential role of the just-released House Democratic proposal in shaping the stimulus package that ultimately makes its way to President Trump’s desk. It is currently unclear whether Speaker Nancy Pelosi, D-Calif., is offering her bill as an alternative to the Senate proposal or whether she instead intends to use it to influence the course of negotiations on the CARE Act and lay down a marker for her policy priorities in a possible future stimulus package.

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