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Economic Relief:

CARES Act overview

April 3, 2020



MAKING AN
IMPACT THAT
MATTERS
since 1845

Objectives of the Presentation

Help raise awareness
across our trusted
clients and partners
about CARES Act

Share some of the
themes we see
emerging

Set the stage for you
to focus CARES Act
within your industry
and company

Inform you about
resources to help you in
your market

Three phases of the legislative response

01

\$8 billion emergency funding for health care response

- Funding for public health agencies for domestic health response
- Funding for USAID to assist with global health response
- Expanded telehealth options through Medicare

02

\$112 billion in relief to individuals impacted by COVID-19

- Paid leave for impacted workers
- Employer paid leave tax credits
- Free COVID-19 testing
- Increased funding for unemployment benefits, nutrition assistance programs, and Medicaid

03

\$2.2 trillion of economy-wide financial assistance

- Liquidity provisions for individuals and businesses
- Tax benefits
- Funding for federal agencies and state and state and local governments
- Support for hospitals and the health care system

Understanding the CARES Act: Emerging themes

Helping individuals

- Unemployment benefits
- Direct payments to individuals
- Relief from foreclosures and evictions

Helping businesses

- Loans, loan guarantees, and enhanced access to Federal Reserve liquidity facilities
- 100% federally-guaranteed loans and grants for smaller businesses and nonprofits
- Tax benefits

Supporting federal, state and local governments

- Direct appropriations to federal agencies; 80% to flow to states and municipalities
- Enhanced federal cost-sharing
- COVID-19 relief fund for states and municipalities

Health care response

- Medical product supply chain
- Coverage of testing and preventative services
- Support for health care providers
- Facilitating telehealth



CARES Act by the numbers

\$908 Billion Aid to businesses

\$349 Billion for loans and loan forgiveness for eligible small businesses and nonprofits

\$10 Billion for small business disaster relief loans

\$17 Billion to pay 6-months of principal and interest on small business 7(a) loans

\$454 Billion to support Federal Reserve liquidity facilities for businesses

\$61 Billion of assistance for airlines

\$17 Billion for Treasury loans and loan guarantees for businesses critical to national security

\$591 Billion Tax relief and direct payments

\$292 Billion of direct payments to individuals with AGI below certain levels

\$280 Billion of tax benefits for businesses

\$19 Billion of individual and health care tax benefits

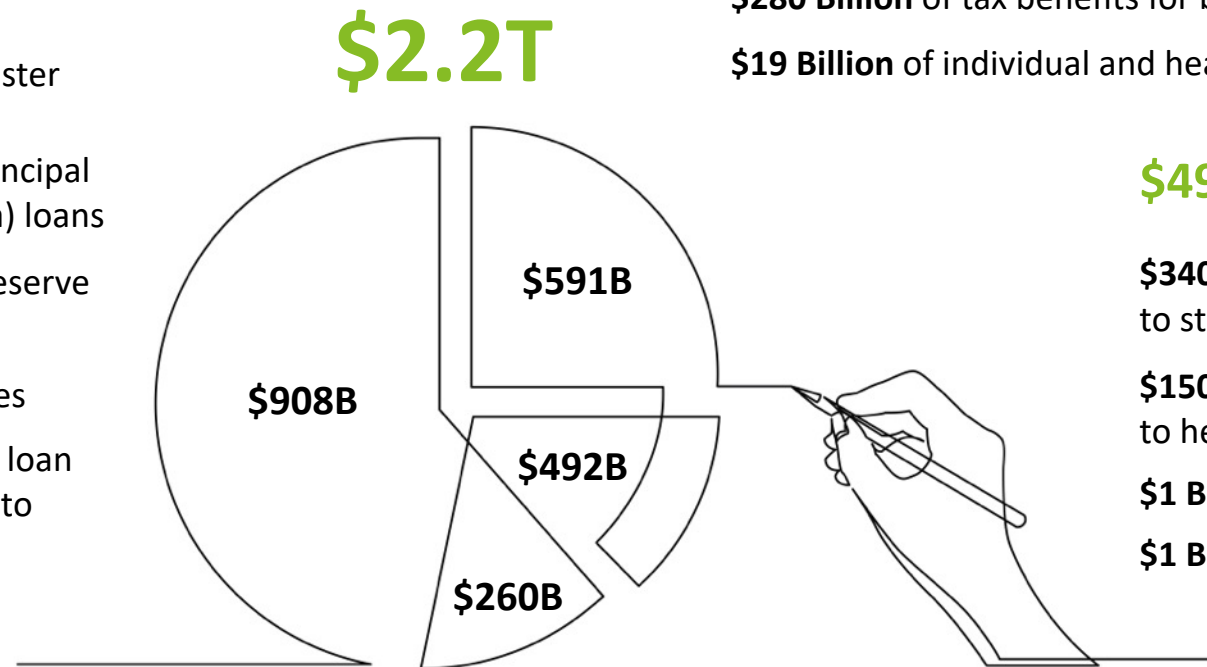
\$492 Billion Appropriations

\$340 Billion to federal agencies; 80% will flow to state and local governments

\$150 Billion directly to states and municipalities to help offset cost of COVID-19 response

\$1 Billion to Community Health Centers

\$1 Billion for various small business programs



\$260 Billion Unemployment Insurance

to increase and extend benefits, expand eligibility, and increase funding to states

Theme 1—Helping individuals

Unemployment Insurance (UI)

- \$600 increase in weekly checks
- Expanded eligibility
- 13 extra weeks of UI
- Federal funding to states and local governments

Housing Assistance

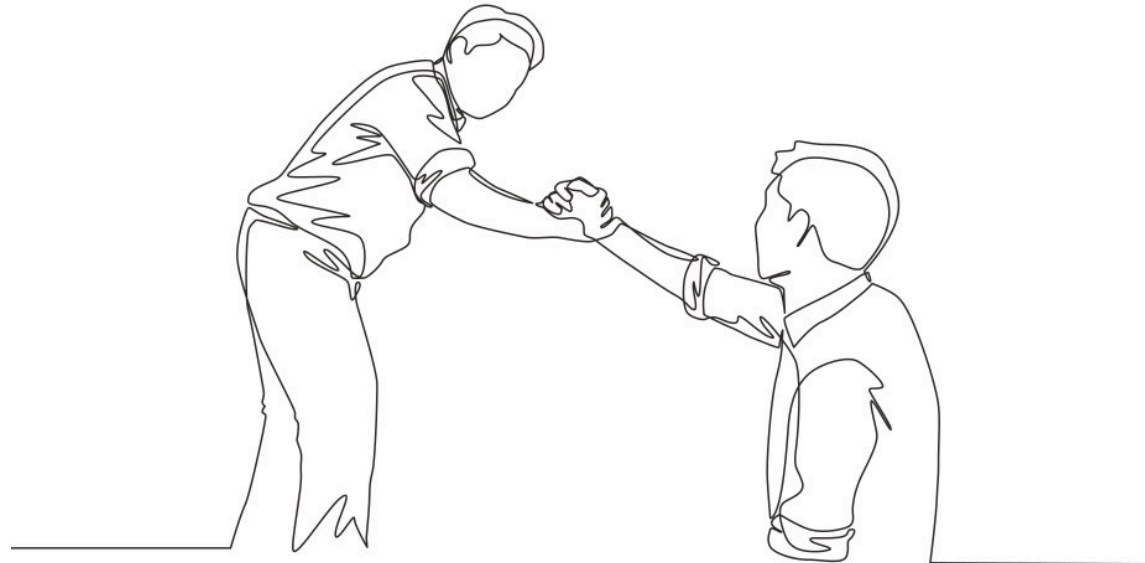
- Forbearance
- Protection from foreclosure and evictions

Business Assistance

- Small business loans for purpose of retaining workers and maintaining salaries
- Direct payments to airlines for payroll support
- Treasury loans and loan guarantees conditioned on maintaining employment levels

Tax

- Direct payments to individuals
- Penalty-free withdrawals from qualified retirement plans
- Waive required minimum distributions
- Employer payments on student loans is tax-free



Individuals

Key Tax provisions for individuals in the CARES Act

1

Direct Checks to Individuals

Eligible individuals receive a credit of \$1,200 for a single individual or \$2,400 for married individuals filing jointly to be paid in the 2020 tax year. Qualifying children will generate an additional \$500 each.

2

Broader User of Health Savings Accounts

The legislation expands the permissible uses of tax-preferred savings accounts, like HSAs. Most notably, account funds may now be used for menstrual care products.

3

Retirement Plan Changes

The new law allows penalty-free withdrawals from IRAs and similar tax-favored retirement plans for “coronavirus distributions” and waives required minimum distribution rules from such plans for 2020.

4

Charitable Donations

The CARES Act allows an above-the-line deduction in computing adjusted gross income of up to \$300 for cash contributions to public charities made in 2020.



Theme 2—Helping businesses

Paycheck Protection Program

Small businesses and nonprofits

- Generally available to businesses and nonprofits with 500 or fewer employees
- Federally-guaranteed loans; a portion may be forgiven if used for payroll and other specified costs
- May preclude business from claiming certain tax benefits under the Act

Federal Reserve Liquidity Facilities

Other businesses

- Businesses that do not otherwise receive adequate relief from loans and loan guarantees under the Act
- Loans, loan guarantees, advances, other forms of liquidity
- Restrictions on stock buybacks, dividend payments, executive compensation, and severance payments generally apply

Treasury Loans and Loan Guarantees

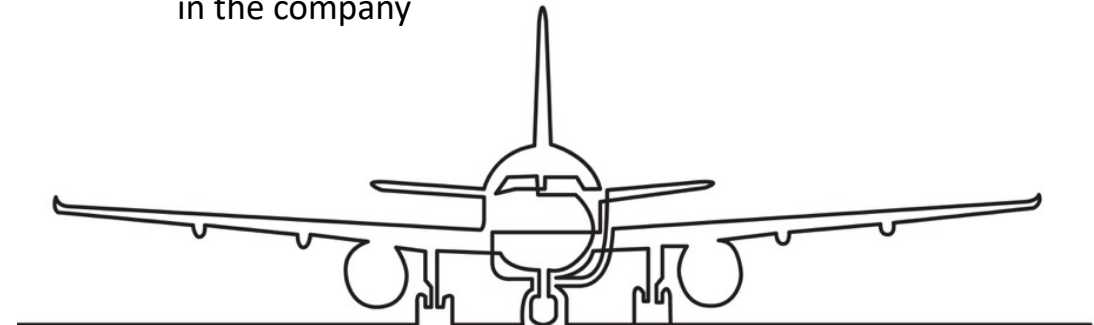
Airlines and critical businesses

- Airlines and businesses critical to national security
- Direct loans or loan guarantees from Treasury
- Restrictions on stock buybacks, dividend payments, executive compensation, severance payments, and employment levels
- Treasury to take equity stake in the company

Treasury Direct Payments

Airlines

- Airlines and airline contractors
- Must be used for wages, salaries, and benefits
- Restriction on stock buybacks, dividend payments, executive compensation, severance packages, involuntary furloughs, and pay/benefit reductions
- Treasury to take equity stake in the company



Paycheck Protection Program: Relief for small businesses and nonprofits

Who is eligible?

- Businesses, nonprofits, and veterans organizations with 500 or fewer employees (or the SBA's employee-based industry size standard, if higher)
- Businesses in the food and accommodations industry (NAICS 72) with 500 or fewer employees per location
- Sole proprietors, independent contractors, and self-employed
- Affiliation rules may apply

Borrower must certify

- Loan necessary to support ongoing operations
- Funds will be used to retain workers and for other specified expenses
- Business did not receive a 7(a) loan (and does not have an application pending) for the same expenses
- Lender must consider whether business was operational and paid employees on 2/15/2020

Terms and benefits

- Loan tied to payroll (up to \$10 million)
- Portion may be forgiven if used to pay payroll costs (e.g., salaries up to \$100,000, paid leave, group health insurance premiums), existing mortgage interest, rent, lease, and utilities
- Forgiven amount may be reduced if business reduces number of employees or wages
- Loan payments deferred 6 months
- Loan is 100% federally-guaranteed

Other things to know

- Business can apply at any SBA-approved lender through 6/30/2020; more lenders may be approved
- The following are waived:
 - SBA fees on the loan
 - Collateral requirements
 - Personal guarantees
 - Credit elsewhere rule
- Unforgiven amount converts to loan
- Borrowers may not be eligible for employee retention tax credits and/or payroll tax deferral

Business

Key Tax provisions for business in the CARES Act

1

Delayed Payroll Tax Payments

Under the CARES Act, employers may delay remitting to the government the employer-side of the Social Security payroll tax from the date of enactment through the end of 2020 and make them in 2021 and 2022 instead.

2

Net Operating Loss Carryback

The CARES Act temporarily allows business losses to be carried back to offset recent years' taxable income and allows companies to offset 100% of their income, rather than 80% as limited in the 2017 law.

3

Expensing Qualified Improvement Property

The Act fixes a long-standing drafting error excluding certain leasehold improvement costs. This allows companies that incurred these costs in 2018 and 2019 to amend their tax returns to get refunds of overpaid taxes.

4

Employee Retention Tax Credit

The Act provides a tax credit to certain employers that fully or partially suspend operations due to coronavirus or a steep drop-off in income but continue to pay employees their wages during the period of closure.

Other Key Provisions

- AMT Credit Acceleration
- More Favorable Rules on Interest Expense
- Relaxation of Excess Business Loss Rule
- Special 2020 Rule on Student Loan Repayments
- Aviation and Other Excise Taxes Suspension
- Charitable Contribution

Theme 3—Supporting federal, state and local governments

Federal Stimulus Administration

Federal government through its agencies and programs expedite disbursement of funds

- Public Health and Social Services Emergency Fund (PHSSEF) - \$100B
- SBA Paycheck Protection Program (PPP) - \$350B, other disaster relief loans/grants
- Federal reserve lending facility
- Individual tax relief administered by IRS/Treasury
- Defense Production Act - \$1B
- Significant funds, grants to state, local and municipalities

Federal Benefits Program Expansion

Additional funds to support health, nutrition, unemployment insurance and child care

- Food Supply, and ensuring food safety, and stimulus to rural business development
- Emergency food assistance, and support for school meals, SNAP, and fuel assistance
- Child care block grant expansion
- Unemployment insurance, and Pandemic Unemployment Assistance
- Medicare and Medicaid related changes and waivers

Program Oversight

Oversight at congressional, and legislative levels for tracking of stimulus funding and use

- Pandemic Response Accountability Committee – to audit coronavirus and stimulus response
- Government Accountability Office (GAO), Congress watch dog with similar audit roles
- Special Inspector General and Congressional Oversight Commission to oversee loans and investments for private business
- Regular reporting from various private and state government entities to support audits

Assistance to States and Municipalities

Support for massive increase in demand and front line to support COVID-19 response

- Aid to States, Municipalities and localities - \$150 B
- Additional provisions of support for territories, and Tribes
- Education Stabilization Fund to higher education institutions
- K-12 education funding to support online learning support
- Funds passed through from various federal agencies for health, nutrition, labor, unemployment insurance and education programs

Health care: What we're hearing from clients

"Can we get our team on the phone with your team? We don't have all the answers and would like to brainstorm together."

"There is a lot in the CARES Act...with health care on the front-line ...what's most important, when can we expect more information, and what should we do right now?"

"With all this uncertainty, how should we begin to think about the near and long-term financial implications to our organization?"



Theme 4 – Health care response

Providers/Hospitals

The CARES Act provides revenue and cash infusions for hospitals and providers

- **Public Health and Social Services Emergency Fund** – \$100 billion in payments for COVID expenses / losses
- **Federal Emergency Management (FEMA) Disaster Relief Fund** – Adds \$45 billion to the current FEMA fund
- **Accelerated Medicare Payments** – expands current Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers
- **Medicare and Hospital Payments**– weighting factor for patients discharged as having been diagnosed with COVID-19 will be increased by 20%

Theme 4 – Health care response (cont.)

Health Plan Coverage

Drugs & Devices

The CARES Act contains policy changes to help consumers and expand access to vaccines, drugs and medical supplies

- **COVID-19 Testing** – employer/health insurer reimbursement for COVID testing and providers in certain situations must make public a “cash price” for their coronavirus testing
- **COVID-19 Vaccines** – Health insurers must cover vaccines and other services intended to prevent COVID-19 without cost-sharing
- **Medical Supplies** – expands the National Strategic Stockpile to procure personal protective equipment, ventilators, and other medical supplies for federal and state response efforts
- **CDC/Vaccine Funding** – funding to prevent, prepare for, and respond to coronavirus, domestically or internationally
- **High-Deductible Health Plans (HDHPs)** – expansion of telehealth to HDHPs before deductible is met
- **Medicare Coverage** – Drug plans must allow Medicare Part D prescription drug beneficiaries to receive a 90-day supply of medication during the coronavirus emergency
- **Drug & Device Shortages** – establishes notification, risk management, and reporting for drug and device supply chains
- **Over-the-Counter Drugs** – creates an administrative order process for determining whether a nonprescription drug is “generally recognized as safe and effective”

Health care: How are we mobilizing to help?

Deloitte's future of health vision is arriving...

...the health care system will emerge more prepared, virtual, and connected to serve consumers



Hospitals are facing unprecedented revenue losses while dealing with an influx of COVID-19 cases

We are helping clients with funding applications, required documentation, and reporting to the federal government

We are utilizing Deloitte's breadth and depth of our industry knowledge and our functional capabilities to help our clients analyze the full spectrum of financial positioning including, strategic advice, tax considerations, and audit implications

Financial services: Facilitating the movement of funds

Keeping American Workers Paid and Employed Act

- **SBA lending & limitations** – \$349B in small business loans through the Payment Protection Program and \$10B in Small Business Administration (SBA) emergency grants

Assistance for American workers, Families, and Businesses

- **Oversight & audit** – Reporting requirements that apply to Treasury and the Fed are numerous and specific (e.g. a Special Inspector General for Pandemic Recovery and a Congressional Oversight Committee)

Supporting America's Health Care System in the Fight Against The Coronavirus

- **Institutional refunds and federal student loan flexibility** – cancel a borrower's obligation to repay the entirety of a loan made under the Direct Loan program (withdrawals during the payment period as a result of COVID-19)

Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy

- **Corporate lending and limitations** – Treasury to provide loans, guarantees and other investments to eligible businesses, states and municipalities of up to \$500B

- **Private equity portfolio impact** – PE portfolio companies will generally not be able to access \$349B in SBA loans, due to the rules requiring the size of the businesses to be calculated in the aggregate with its affiliates (<500 employees)

- **Retirement plan access** – easier for employees to access funds in their retirement accounts to cover emergency, COVID-19 expenses, relaxes rules for loans from retirement plans, and delays required minimum distributions

- **Temporary relief for federal student loan borrowers** – defer federally owned student loans' payments, principal, and interest for six months until September 30, 2020 without penalty for the borrower

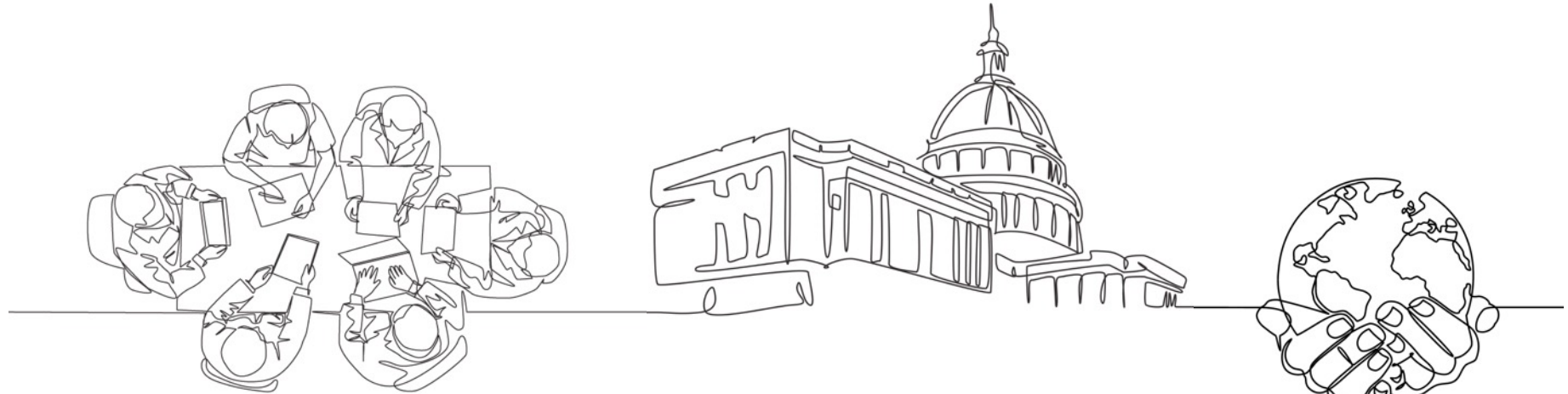
- **Regulatory relief** – Financial institutions are offered relief from existing and imminent regulatory requirements

- **Individual and multifamily borrower protections** – Individual and multifamily borrowers would receive temporary foreclosure and eviction protection and relief

Financial services: Examples of how we are responding

The CARES Act Impact across Financial Services industry...

...the Financial Services Industry will emerge stronger, more agile, and connected to serve consumers



Achieve operational efficiencies as surge of consumer inquiries emerges

We are helping clients navigate the CARES Act impact to business and customers

Analyze the full spectrum of financial positioning including, strategic advice, tax considerations, and audit implications

What do we expect the world to look like after the crisis?

We are prepared to help our clients ... Respond. Recover. Thrive.



Digital

Health Awareness

Distance

Boundaries

Innovation

*“If this time of volatility changes the world, then **who better to lead** this transformation.”*

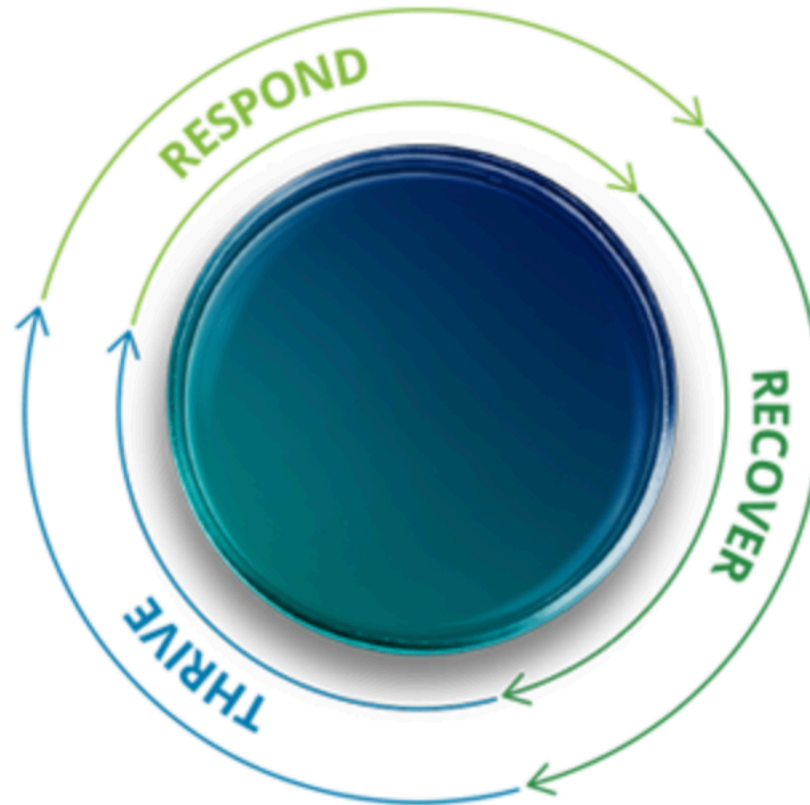
What does it mean for you?

Respond

- Stabilize operations and identify ongoing risk
- Review summary of CARES Act and resource links
- Identify provisions now in law that can help you weather economic storm of the pandemic

Thrive

- Work with trusted advisors to identify / maximize those opportunities
- Lead the rethinking of outdated business models
- Establish new ways to connect with customers and employees



Recover

- Develop creative "work-arounds" to ongoing challenges
- Track ongoing debate in Congress as "Phase 4" starts to take shape
- Digitize areas that have been neglected in the past
- Begin thinking about what the world looks like on other side of the crisis

Resources

To access today's presentation and Deloitte's latest content on COVID-19 and the CARES Act, please see: www.deloitte.com/COVID-19

Latest thinking

- [Deloitte's COVID-19 Website](#)
- [Deloitte's CARES Act Website](#)
- [The Heart of Resilient Leadership: Responding to COVID-19](#)
- Industry-specific content (in process):
 - Government
 - Healthcare
 - Banking
 - FSI (industry-wide)
 - Airlines

Helpful links

- [Coronavirus Aid, Relief, and Economic Security Act or the CARES Act](#) (full text)



Thank you.



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