
MEMORANDUM

TO: INTERESTED CLIENTS
FROM: CORNERSTONE GOVERNMENT AFFAIRS
SUBJECT: Worker and Family Assistance Programs in CARES Act
DATE: March 26, 2020

This memo outlines the benefits to workers and families in the CARES Act. Note the bill must still move through the legislative process before becoming law.

Unemployment Benefit Improvements (Sects. 2102, 2104, 2107)

This section creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency.

The bill provides an additional \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months.

The bill also provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of state unemployment benefits are no longer available.

Recovery Rebates for Individuals (Sect. 2201)

Similar to rebates enacted in 2001 and 2008, the Treasury Secretary has authority to establish a regulatory scheme to make advance payments of these rebates “as rapidly as possible:”

- Maximum grant of \$1,200 (\$2,400 joint) per taxpayer, limited to net income tax liability plus grant of \$500 per child;
- No phase-in or other limitation for low-income taxpayers (such limitation from the original version of the policy has been removed);
- Cash grant tax rebate is treated as a fully refundable tax credit, therefore available to taxpayers with net negative income tax liability;
- Phases out by 5% of the excess of AGI over \$75,000 (\$150,000 joint), fully phased out at \$99,000 (\$198,000 joint) and Secretary may apply 2018 amounts to determine the phase-out;
- Rebate denied to nonresident aliens, dependents, and estates or trusts;
- Rebate is available for residents of U.S. territories and possessions.

Use of Retirement Funds (Sects. 2202, 2203)

Consistent with previous disaster-related relief, the provision waives the 10-percent early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020. Further, the provision provides flexibility for loans from certain retirement plans for coronavirus-related relief.

A coronavirus-related distribution is one made to an individual: (1) who is diagnosed with COVID-19, (2) whose spouse or dependent is diagnosed with COVID-19, or (3) who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary.

The provision also waives the required minimum distribution rules for certain defined contribution plans and IRAs for calendar year 2020. This provision provides relief to individuals who would otherwise be required to withdraw funds from such retirement accounts during the economic slowdown due to COVID-19.

Charitable Donations (Sects. 2204, 2205)

The provision encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of cash contributions for non-itemizers.

Another provision increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50 percent of adjusted gross income limitation is suspended for 2020. For corporations, the 10 percent limitation is increased to 25 percent of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15 percent to 25 percent.

Student Loan Help, and Help for Current College Students (Sects. 2206, 3505-9, 3513)

Sect. 2206 enables employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to \$5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The \$5,250 cap applies to both the new student loan repayment benefit enacted by the Phase III bill as well as existing law in the form of other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after date of enactment and before January 1, 2021

Sect. 3505 allows institutions to issue work-study payments to students who are unable to work due to work-place closures as a lump sum or in payments similar to paychecks.

Sect. 3506-7 provide that for students who dropped out of school as a result of COVID -19, it excludes the term from counting negatively toward lifetime subsidized loan eligibility, or negatively toward Pell Grant eligibility.

Sect. 3508 provides that for students who dropped out of school as a result of COVID -19, the student is not required to return Pell grants or federal student loans to the Secretary.

Sect. 3509 provides that for students who dropped out of school as a result of COVID -19, the student's grades do not effect a student's federal academic requirements to continue to receive Pell Grants or student loans



Sect. 3513 requires the Secretary to defer student loan payments, principal, and interest for 6 months, through September 30, 2020, without penalty to the borrower for all federally owned loans. **This provides relief for over 95 percent of student loan borrowers.**

Health Care Benefits for Individuals (Sects. 3701-2, 3714, 3716-17)

High-deductible health plan (HDHP) with a health savings account (HSA) are required to cover telehealth services prior to a patient reaching the deductible, increasing access for patients who may have the COVID-19 virus and protecting other patients from potential exposure.

This section would allow patients to use funds in HSAs and Flexible Spending Accounts for the purchase of over-the-counter medical products, including those needed in quarantine and social distancing, without a prescription from a physician.

For seniors, there is a section that would require that Medicare Part D plans provide up to a 90-day supply of a prescription medication if requested by a beneficiary during the COVID-19 emergency period.

There is a section to ensure that uninsured individuals can receive a COVID-19 test and related service with no cost-sharing in any state Medicaid program that elects to offer such enrollment option. In addition, Medicare beneficiaries can receive all tests for COVID-19 in Medicare Part B with no cost-sharing.

Coverage of Testing:

Clarifies that all testing for COVID-19 is to be covered by private insurance plans without cost sharing.

Doctors Volunteering to Help:

Makes clear that doctors who provide volunteer medical services during the public health emergency related to COVID-19 have liability protections.

Friends or Relatives Who Are Teachers? (Sect. 3519)

For teachers who could not finish their year of teaching service as a result of COVID-19, their partial year of service shall be counted as a full year of service toward TEACH grant obligations or Teacher Loan Forgiveness. Waives a requirement that teachers must serve consecutive years of teaching service for Teacher Loan Forgiveness eligibility, if a teacher's service is not consecutive as a result of COVID-19.

Credit and Housing Protections (Sects. 4021, 4022, 4024)

This section requires that furnishers to credit reporting agencies who agree to account forbearance, or agree to modified payments with respect to an obligation or account of a consumer that has been impacted by COVID-19, report such obligation or account as "current" or as the status reported prior to the accommodation during the period of accommodation unless the consumer becomes current. This applies only to accounts for which the consumer has fulfilled requirements pursuant to the forbearance or modified payment agreement. Such credit protection is available beginning January 31, 2020 and ends at the later of 120 days after enactment or 120 days after the date the national emergency declaration related to the coronavirus is terminated



There is a section that prohibits foreclosures on all federally-backed mortgage loans for a 60-day period beginning on March 18, 2020. Provides up to 180 days of forbearance for borrowers of a federally-backed mortgage loan who have experienced a financial hardship related to the COVID-19 emergency. Applicable mortgages included those purchased by Fannie Mae and Freddie Mac, insured by HUD, VA, or USDA, or directly made by USDA. The authority provided under this section terminates on the earlier of the termination date of the national emergency concerning the coronavirus or December 31, 2020

In addition, for 120 days beginning on the date of enactment, landlords are prohibited from initiating legal action to recover possession of a rental unit or to charge fees, penalties, or other charges to the tenant related to such nonpayment of rent where the landlord's mortgage on that property is insured, guaranteed, supplemented, protected, or assisted in any way by HUD, Fannie Mae, Freddie Mac, the rural housing voucher program, or the Violence Against Women Act of 1994