

Department of Agricultural and Resource Economics

A FACT SHEET OF TITLE II OF THE CARES ACT: “ASSISTANCE FOR AMERICAN WORKERS, FAMILIES AND BUSINESSES”

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[The Coronavirus Aid, Relief and Economic Security Act](#) (CARES Act) was signed into law by President Trump in response to the COVID-19 pandemic. The CARES Act allocated \$349 billion to support small business owners and their workforce due to the current economic disruption caused by COVID-19. This fact sheet provides an overview of Title II of the CARES Act as it relates to people and employers of Tennessee. Title II covers “Assistance for American Workers, Families and Businesses” and is broken down into three subtitles:

- A. Unemployment Insurance Provisions
- B. Rebates and Other Individual Provisions
- C. Business Provisions

A: Unemployment Insurance Provisions

Who: for individuals deemed unemployed under the CARES Act.*

- Section 2103 provides emergency unemployment relief for government entities and nonprofit organizations.
- Section 2104 provides an additional \$600 per week with no waiting period for eligible individuals who are recipients of unemployment insurance. Section 2113 allows the same \$600 benefit for railroad unemployed insurance recipients.
- Section 2105 allows any state, if they wish, to waive the “waiting week” period and begin paying unemployment benefits to individuals on the first week of unemployment. This section also allows for states to be reimbursed by the federal government.

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- Section 2107 provides “Pandemic Emergency Unemployment Compensation,” which is federally funded and is an additional 13 weeks of benefits through the states to the eligible individuals. The benefit and \$600 from section 2104 are available through December 31, 2020.

*NOTE: Section 2102 stipulates eligibility requirements. If the individual has not exhausted all rights to unemployment benefits and is able and available to work but is unable to as a direct result of COVID-19.

B: Rebates and Other Individual Provisions

Who: All U.S. residents are eligible for a full \$1,200 (\$2,400 if married) rebate if:

- Gross income (adjusted) is no greater than \$75,000 (\$150,000 if married).
- Are not dependent on another tax payer.
- Possess a work-eligible social security number.
- There is an additional provision of \$500 per child eligibility.

Section 2201 also allows for individuals who have no income and those whose income comes entirely from nontaxable benefit programs (i.e., Supplementary Security Income benefits).

The majority of Tennesseans will not have to take any action in order to receive the rebate due to the Internal Revenue Service utilizing 2019 federal taxes, if filed, or 2018 tax filing. The rebate payment is reduced by \$5 for each \$100 that an individual's income exceeds the thresholds stated above.

- Sections 2202-2203 cover special rules for use of retirement funds and temporary waiver of required minimum distribution rules for retirement plans and accounts.
- Sections 2204-2205 encourage deductible contributions up to \$300 to churches and charitable entities in 2020. For corporations, the 10 percent limitation is increased to 25 percent of taxable income and from 15 percent to 25 percent of deductible food inventory contributions.

C: Business Provisions

Who: Employers who had to close due to COVID-19.

Section 2301 provides a payroll tax credit (refundable) for 50 percent of wages paid during the COVID-19 pandemic. The credit is available to employers whose:

1. operations were partially or fully suspended due to COVID-19
2. gross receipts declined more than 50 percent during the same quarter the prior year

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The credit is provided for wages paid or incurred from March 13, 2020 - December 31, 2020.

- Section 2302 provides employers and self-employed individuals the ability to defer payment of social security tax but must be paid over the following two years:
 - The first half of the amount is required to be paid by December 31, 2021.
 - The second half must be paid by December 31, 2022.
- Section 2303 allows modifications to net operating losses and relaxes limitations on a company's use of losses. This provision temporarily removes the taxable income limitation. This provision also allows businesses to utilize losses and amend prior year tax returns, which allows for cash and liquidity during the COVID-19 crisis.
- Section 2304 allows the same benefits in section 2303 for sole proprietors and pass-through businesses and provides the same ability to utilize cash flow and liquidity.
- Section 2305 allows for companies to recover alternative minimum tax credits and permits entities to claim a refund, which allows for additional cash flow.
- Section 2306 allows businesses to temporarily increase the interest expense amount that they wish to deduct on their tax returns. This provision increases the amount from 30 percent to 50 percent for both 2019 and 2020.
- Section 2307 allows for businesses to write off costs associated with improving facilities instead of having to depreciate them. This ability is immediate.
- Section 2308 waives the federal tax on alcohol used to produce hand sanitizer.

References

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- U.S. Senate Committee on Small Business and Entrepreneurship. "The Small Business Owner's Guide to the CARES Act." Internet site: <https://www.sbc.senate.gov/public/index.cfm/guide-to-the-cares-act>

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