



EMPLOYMENT LAW ALERT

CARES Act Unpacked

A summary of the CARES Act is below. We stand ready to help you access these measures.

CARES Act:

Paycheck Protection Program – Small Business Loans:

- **WHO:** Businesses with 500 employees or fewer that continue to employ and pay workers through the coronavirus crisis, will be eligible to apply for these SBA loans. This program is directed under Section 7(a) of the Small Business Act. Note that if an employer has more than one physical location where each location has 500 or fewer employees, they are also eligible.
- **WHAT:** The SBA will be able to administer forgivable loans up to \$10 million per company, in order to provide assistance to employers who maintain their payroll through this crisis. This means employers will need to keep their workers employed. Applicants will need to verify the previous 6 weeks of payroll and later verify they have paid employees for 8 weeks after receiving the loan.
- The amount to be guaranteed under the loan is the amount equal to the average total monthly payroll costs in the 1 year prior to the loan application. Payroll costs include all payments for compensation, tips, severance, PTO, healthcare costs, and taxes.
- Employers will be able to use loans for the following purposes: Payroll, PTO, leaves (except for FFCRA), group health plan costs, salaries, mortgage payments, rent payments, utilities, and debt. It cannot be used for individual employee compensation that exceeds \$100,000, compensation of an employee whose principal place of residence is outside the US, or for FFCRA leave payments.
- The loans will have an interest rate not to exceed 4%, and during the loan period, there will be no fee collection.
- **HOW:** Employers will need to maintain their payroll from February 15, 2020 through June 30, 2020, in order to have the loan forgiven. A Senator indicated that in the case of small businesses who have already furloughed or laid off individuals, it is possible for these businesses to still qualify for the loans if they rehire and begin paying those individuals through this loan.
- **WHEN::** The bill requires that SBA enact these programs with regulations no

later than 15 days after the Act is signed into law.

- Treasury has stated the streamlined process could take as little as one day to obtain the funds.

Economic Injury Disaster Loans – Small Business Loans:

This is a separate Emergency Grant program, which will provide immediate relief to small businesses through the SBA Economic Injury Disaster Loan program.

- **WHO:** Employers who have 500 or fewer employees and private nonprofits are eligible for these loans.
- **WHAT:** Businesses will be able to obtain an advance loan of up to \$10,000 under this program. The SBA is likely to have a quick turn around period of only 3 days. The new bill has given an additional \$10 billion to this program.
- During this crisis, the SBA has waived the requirements of personal guarantees, the requirement that a business exist for at least one year, and requirement that an applicant be unable to find a loan elsewhere.
- The interest rate is 3.75% for small businesses and 2.75% for nonprofits.
- The loans can be used to pay debts, payroll, accounts payable, employee sick leave, and utilities. It cannot be used to refinance debts, make payments on other loans from the government, pay tax penalties or fines, repair damage, or pay dividends.
- **WHEN:** Same timeline as above.

Unemployment Expansion:

- **WHO:** *Self-employed individuals, independent contractors, part-time workers who are not always covered under normal circumstances* will be able to obtain unemployment for reasons related to COVID-19.
- **WHAT:** The CARES Act will expand the Unemployment program throughout the country through December 31, 2020.
- Workers may now be eligible for unemployment for the following reasons, if they are:
 1. diagnosed with COVID-19;
 2. experiencing symptoms of COVID-19 and seeking a COVID-19 diagnosis or testing;
 3. a member of the individual's household has been diagnosed with COVID-19;
 4. caring for a family member or household member who has been diagnosed with COVID-19;
 5. caring for a child or other household member whose facility has been shut down due to the coronavirus pandemic;
 6. unable to reach the place of work due to quarantine imposed as a direct result of the COVID-19 public health emergency;
 7. unable to reach the place of employment because a health care provider has advised self-quarantine due to concerns related to COVID-19;
 8. scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency;
 9. now the breadwinner or major support for a household because the head of the household died as a direct result of COVID-19;
 10. quitting a job as a direct result of COVID-19; or

11. closure of place of business as a direct result of COVID-19.
- **MORE WHAT:** Individuals who qualify for unemployment under these purposes may be eligible for retroactive benefits from January 27 through the enactment of the CARES Act.
 - Unemployment benefits are not available for individuals who are able to telework for pay or individuals receiving paid sick leave or other paid leave benefits.
 - On top of the regular state unemployment benefits determined by each state, this bill would provide an additional \$600 per week for up to 4 months, so that individuals may be able to obtain benefits closer to their normal income.
 - The unemployment benefits will also extend the eligibility for benefits by 13 weeks, not to exceed a total of 39 weeks.

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