



To: Congregational/UUA-Related Leaders
Fr: Rev. Richard Nugent, Director, UUA Church Staff Finances
Jan Gartner, UUA Compensation and Staffing Practices Manager
Re: Initial Analysis of the CARES Act
Coronavirus Aid, Response, and Economic Security Act (H.R. 748)
Date: March 28, 2020

Overview

This is an initial summary of the pertinent provisions of the Coronavirus Aid, Response, and Economic Security Act (CARES) for UUA congregations and other UUA-related organizations. This legislation cleared Congress and was signed into law on March 27, 2020.

Unemployment Insurance

Note: In most states, congregational employees are NOT eligible for Unemployment Insurance. It appears that congregational employees who are separated from service may be eligible for payments under the Pandemic Unemployment Assistance provision through December 2020. This analysis will be updated when confirming information is obtained.

The CARES Act:

- Creates a new Pandemic Unemployment Assistance program to help those not traditionally eligible for Unemployment Insurance (UI), including self-employed individuals, independent contractors, those with limited work history and those who are unable to work as a result of the coronavirus public health emergency. These individuals will be eligible for 39 weeks of unemployment assistance through December 31, 2020.
- Provides an additional \$600/week payment to each UI or Pandemic Unemployment Assistance recipient through the end of July 2020.
- Provides funding for the 1st week of unemployment for states to waive the traditional “waiting week” before benefits begin.
- Provides an additional 13 weeks of unemployment to help those who remain unemployed after weeks of state unemployment are no longer available.

Paid Family and Medical Leave Benefits Upon Rehiring

See the Fact Sheet on the Families First Coronavirus Response Act, signed into law on March 18, for details on paid Sick Leave and paid Family and Medical Leave.

The CARES Act:

- Allows an employee who was laid off by an employer March 1, 2020, or later to have access to paid family and medical leave in certain instances if they are rehired by the employer. The employee would have had to work for the employer at least 30 days prior to being laid off.
- Allows employers to receive an advance tax credit from the Department of Treasury instead of having to be reimbursed on the back end. Creates regulatory authority to implement tax credit advancements.

Retirement Provisions

The CARES Act:

- Waives the 10% tax on early withdrawals up to \$100,000 from a retirement plan or IRA (made on or after January 1, 2020) for an individual who is diagnosed with COVID-19; whose spouse or dependent is diagnosed with COVID-19; 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. **Note: Income Taxes will still be owed on such distributions, but not the additional 10% penalty.**
- Permits individuals to pay tax on the income from the distribution over a three-year period and allows individuals to repay that amount tax-free back into the plan over the next three years. Those repayments would not be subject to the retirement plan contribution limits.
- Doubles the current retirement plan loan limits to the lesser of \$100,000 or 100% of the participant's vested account balance in the plan. Individuals with an outstanding loan from their plan with a repayment due from the date of enactment of the CARES Act through Dec. 31, 2020 can delay their loan repayment(s) for up to one year.
- Retirement plans can make amendments and adopt these rules immediately, even if the plan does not currently allow for hardship distributions or loans, provided the plan is amended on or before the last day of the first plan year beginning on or after Jan. 1, 2020, or later if prescribed by the Treasury Secretary. **Note: The UUA Retirement Plan Committee will determine whether to embrace these possible changes during April 2020.**
- Waives the required minimum distribution rules for accountholders who are age 70-1/2 or older that are subject to mandatory minimum distributions 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.

Assistance with Paying Staff Provisions

The CARES Act:

- Allows employers and self-employed individuals to **defer payment** of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. All employers are responsible for paying a 6.2% Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022. The Social Security Trust Funds will be held harmless under this provision.
- Provides a **refundable payroll tax credit** for 50% of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50% when compared to the same quarter in the prior year.
- For employers with more than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances.
- **For employers with 100 or fewer full-time employees, all employee wages qualify for the**

credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee and is provided for wages paid or incurred from March 13, 2020 through December 31, 2020.

- **Employers (of any size) may apply for relief loans due to COVID-19. One requirement (among others) for loan recipients is to maintain employment levels as of March 24, 2020 through September 30, 2020, to the extent practicable, and in any case shall not reduce their employment levels by more than 10% from the levels on such date the loan is acquired.**
- Employers with 500 or fewer employees are eligible to receive a **loan to cover costs** incurred by the employer between February 15 and June 30. For purposes of counting the number of employees that are employed, the term “employee” includes full-time employees, part-time employees, and individuals employed on “other basis,” like seasonal or temporary.
- Loan to support, among other things, **wages, cash tip equivalents, the cost of health benefits, the cost of retirement benefits, the cost of leave** (e.g., vacation, family, and sick leave), or the payment of State or local taxes assessed on employee compensation. The loan can also be used to pay mortgage interest, rent, utility bills, and premiums for COBRA.
- Defines eligibility for loans as a small business, **501(c)(3) nonprofit...**with not more than 500 employees, or the applicable size standard for the industry as provided by SBA, if higher. Self-employed individuals are also eligible to receive a loan.
- Small businesses may take out loans through December 31, 2020 and cover employees making up to \$100,000 per year; **loans taken for this purpose may be forgiven** if the business maintains an average monthly number of employees during the covered period (between February 15 and June 30) that is no less than the number it had before the crisis began, among other requirements. Firms that have laid off employees may qualify for forgiveness if employees are rehired by April 1, 2020.
- The cost of participation in the program may be reduced for both borrowers and lenders by providing fee waivers, an automatic deferment of payments for one year, and no prepayment penalties.
- Midsize to large employers (500 to 10,000 employees) including nonprofit organizations may qualify for loans related to losses incurred as a result of COVID-19. Loan borrowers will not be required to pay principal or interest towards the loan for the first six months or longer at the discretion of the Treasury Secretary. Loan recipients must retain at least 90% of the workforce, at full compensation and benefits, until September 30, 2020, among other requirements.

Health Care

The CARES Act:

- Clarifies that all testing for coronavirus (COVID-19) is to be covered by private insurance plans (fully-insured and self-insured) without cost sharing. Coverage extends to any services or items provided during a medical visit—including an in-person or telehealth visit to a doctor’s office, an urgent care center, or an emergency room—that results in coronavirus testing or screening. This coverage requirement began on March 18 (when Families First Coronavirus Response Act was enacted) and remains in effect only while there is a declared public health emergency (as defined under federal law).

- Changes the use of health savings accounts (HSAs) paired with high-deductible health plans (HDHPs). Allows a high-deductible health plan (HDHP) with a HSA to cover telehealth services prior to a patient reaching the deductible. This means that telehealth and other remote care services could be covered pre-deductible without violating federal rules for HDHPs paired with an HSA. This provision is temporary and will sunset December 31, 2020 unless Congress takes future action to extend or make permanent.
- Inclusion of certain over-the-counter medical products as qualified expenses. Allows patients to use funds in HSAs, Flexible Spending Accounts, Archer medical savings accounts and health reimbursement arrangements for the purchase of over-the-counter medical products, including those needed in quarantine and social distancing, without a prescription from a physician. This change would apply for amounts paid or expenses incurred after December 31, 2019.
- Allows HSAs (and the similar arrangements noted above) to be used to pay for certain menstrual care products, such as tampons and pads. These products would be treated as qualified medical expenses for purposes of these arrangements. This change would apply for amounts paid or expenses incurred after December 31, 2019.

Education Assistance

The CARES Act:

- Allows 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 as well as 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.

Individual Taxpayer Rebate

The CARES Act:

- Provides a \$1,200 (\$2,400 married) rebate to all U.S. residents with adjusted gross income under \$75,000 (\$112,500 for head of household and \$150,000 for married filing jointly), who are not the dependent of another taxpayer and have a work-eligible Social Security number. Households will also receive an additional \$500 per child under 17 years old.
- For individuals/households with adjusted gross income over \$75,000 (\$112,500 for head of household and \$150,000 for married filing jointly), the rebate is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold. The rebate is completely phased-out for single files with incomes exceeding \$99,000, \$146,500 for head of household, and \$198,000 for joint filers with no children.

Additional Resources

FAQ on Stimulus Checks, Unemployment, and the Coronavirus (CARES) Act; New York Times, March 27, 2020: <https://www.nytimes.com/article/coronavirus-stimulus-package-questions-answers.html>

FAQ on the Unemployment Assistance Provisions of the CARES Act; House Ways and Means

Committee:

<https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/UC%20FAQ%20CARES%20Act.pdf>

Guide to the Small Business (including Nonprofit Organizations) Sections of the CARES Act; US Senate Committee on Small Business and Entrepreneurship (Office of Senator Ben Cardin, Ranking Member): https://www.sbc.senate.gov/public/_cache/files/9/7/97ac840c-28b7-4e49-b872-d30a995d8dae/F2CF1DD78E6D6C8C8C3BF58C6D1DDB2B.small-business-owner-s-guide-to-the-cares-act-final-.pdf

For More Information

- Jan Gartner, UUA Compensation and Staffing Practices Manager: JGartner@uua.org
- Jim Sargent, UUA Insurance Plans Director: JSargent@uua.org
- Linda Rose, UUA Retirement Plan Director: LRose@uua.org
- Rev. Richard Nugent, Director, UUA Office of Church Staff Finances: RNugent@uua.org