**Summary of CARES Act**

The following summarizes the principal elements of the CARES Act that are particularly relevant to U.S. businesses. While the final legislation will pass in the Senate this afternoon, these provisions should remain as is or with minor modifications.

**Small Business Provisions**

*Small Business Loans.* The CARES Act provides $300 billion for loans to businesses of 500 or fewer employees, through existing SBA-certified lenders like banks and credit unions. The amount to each applicant is based on such factors as the applicant’s average monthly payroll; mortgage, rent, utility payments, and existing debt obligations, up to $10 million. Businesses which keep their employees and payroll levels between March 1 and June 30 can use any part of the loan to cover payroll and related payments and have that portion of the loan forgiven.

*Loan Guaranty Program.* To provide immediate access to capital for affected small businesses, the CARES Act expands allowable uses for the 7(a) Small Business Administration loan program which provide borrowers with revolving lines of credit for working capital purposes to include payroll support, supply chain disruptions, mortgage payments, and other debt obligations. It also increases the maximum loan amount for SBA Express loans from $350,000 to $1 million.

*Entrepreneurial Assistance.* The CARES Act provides grants for counseling, training, and related assistance to small businesses affected by COVID-19: $240 million for SBA Small Business Development Centers and Women’s Business Centers, $10 million for Minority Business Development Agency’s Minority Business Centers and $25 million for grants to associations representing resource partners.

**Health Provisions**

*Direct Funding to Hospitals and Health Care Providers.* The CARES Act earmarks a massive $130 billion for hospitals and another $150 billion for state and local governments, with a portion going to healthcare support and recovery.

*Funds and Regulatory Relief to Expand Access to Needed Drugs and Supplies, Broadened Coverage, and Other Public Health Measures***.** The CARES Act address three major areas: (1) Funding for hospitals and for the government to purchase a range of items, such as pharmaceuticals and supplies; (2) regulatory changes such as expanding health coverage for COVID-19 testing and expanding requirements to counter drug and medical device shortages and (3) provisions for private-public partnership such as the launching of a massive blood donation public awareness campaign organized by HHS with the support of the private sector. The recipients of funding will include U.S. HHS and its sub-agencies in all 50 states and territories.

*Beneficiaries.* The types of organizations that will benefit are hospitals, community health centers, public health offices and a range of companies that will help them effectively serve their patients and stakeholders. Those federal and state organizations will need to purchase products from medical supply and device companies, biopharmaceutical companies and support services (such as IT firms and staffing agencies) that will all help to support the federal and state agencies better respond to this crisis

**Support to Distressed Businesses and the Markets**

*Loans, Guarantees, and Investments.* The legislation provides $500 billion for businesses, states and municipalities impacted by the crisis in the form of loans, loan guarantees and investments. Of this amount, $50 billion is designated for commercial airlines, $8 billion for air cargo carriers, and $17 billion for “businesses critical to maintaining national security” (which are not otherwise defined). The remaining $425 billion is available for other United States businesses, including through programs and facilities established by the Board of Governors of Federal Reserve to provide liquidity.

*Treasury Authority to Make the Big Decisions on Who Gets Funded.* The Secretary of the Treasury has primary responsibility for administering these funds, and the bill provides broad discretion in determining who receives them.  To be eligible, a borrower must only have incurred losses (or expected losses) jeopardizing the continued operations of the business, and not otherwise be reasonably able to obtain credit. The Treasury Secretary is required to publish procedures for applying for these funds, including minimum requirements, within 10 days.

*Protecting Taxpayer Interests.* The legislation contains a few basic provisions to protect the taxpayers against corporate bailouts leading to waste, fraud and abuse. This includes requiring that the loans (i) be provided at rates that reflect the government’s risk, (ii) are adequately collateralized, and (iii) will not be reduced or forgiven. It also prohibits use of these funds for stock buybacks or excessive executive compensation, but provides the Secretary of the Treasury broad authorities to determine how these limits would work in practice.

**Tax Provisions**

*Business Provisions.* The CARES Act allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax 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. It would allow net operating losses from 2018, 2019 and 2020 to be carried back five years and remove the taxable income limitation to allow such losses to fully offset income. It would also allow businesses immediately to write off costs associated with improving facilities instead of having to depreciate those improvements over the 39-year life of a building.

**Implications**

The CARES Act will obligate an unprecedented amount of federal money, directed at broad swathes of the entire economy, and granting the Secretary of the Treasury and the various government agencies responsible for implementing it vast discretion. There will be ongoing opportunities to monitor and to engage with both Congress and the relevant parts of the Executive Branch throughout 2020, and beyond.  A wide range of interests will be actively engaged in, and seek to shape, all of these processes, as well as oversight, as they go forward. We see three major areas for engagement which APCO is well positioned to assist with, including: comprehensive intelligence gathering; support in obtaining available stimulus funds for potentially eligible companies; and developing strategies to obtain future stimulus funds as the COVID-19 crisis unfolds.