

Congress Introduces Coronavirus Aid, Relief, and Economic Security Act

Darin Williams
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On March 19, 2020, Senator Mitch McConnell introduced bill S. 3548 in the Senate, entitled the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. In its present form, the CARES Act would provide for, among other things a vast increase in the eligibility of certain employers with less than 500 employees for emergency loans under the Small Business Act.

The amount of the emergency loan for which employers would be eligible is either (1) four times the average monthly payments the employer makes for payroll, mortgage payments, rent payments, and specified debt obligations; or (2) \$10,000,000, whichever is less.

The allowable uses for the emergency loan under the CARES Act would be payroll support, employee salaries, mortgage, rent, utilities, and specified debt obligations. All eligible employers who are in operation on March 1, 2020 and have employees for whom the borrower paid salaries and payroll taxes would be eligible for emergency loans. Finally, portions of the loans would be forgiven based upon payroll costs incurred during the covered period, *i.e.*, March 1, 2020, through June 30, 2020, though such loan forgiveness would be subject to certain deductions based on levels of employer staffing and employee compensation.

Amendments to the CARES Act have been proposed that would, among other things, suspend Federal payroll taxes for 2020. In addition, the introduced bill is reportedly a placeholder that has been the subject of extensive negotiations and revisions over the weekend, so it is unclear how

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Darin M. Williams

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emergency business loans may be structured under the final legislation.

As with all proposed legislation, the CARES Act is likely to be subject to further amendments. We will continue to provide updates.