



What Washington is doing to help during COVID-19 crisis

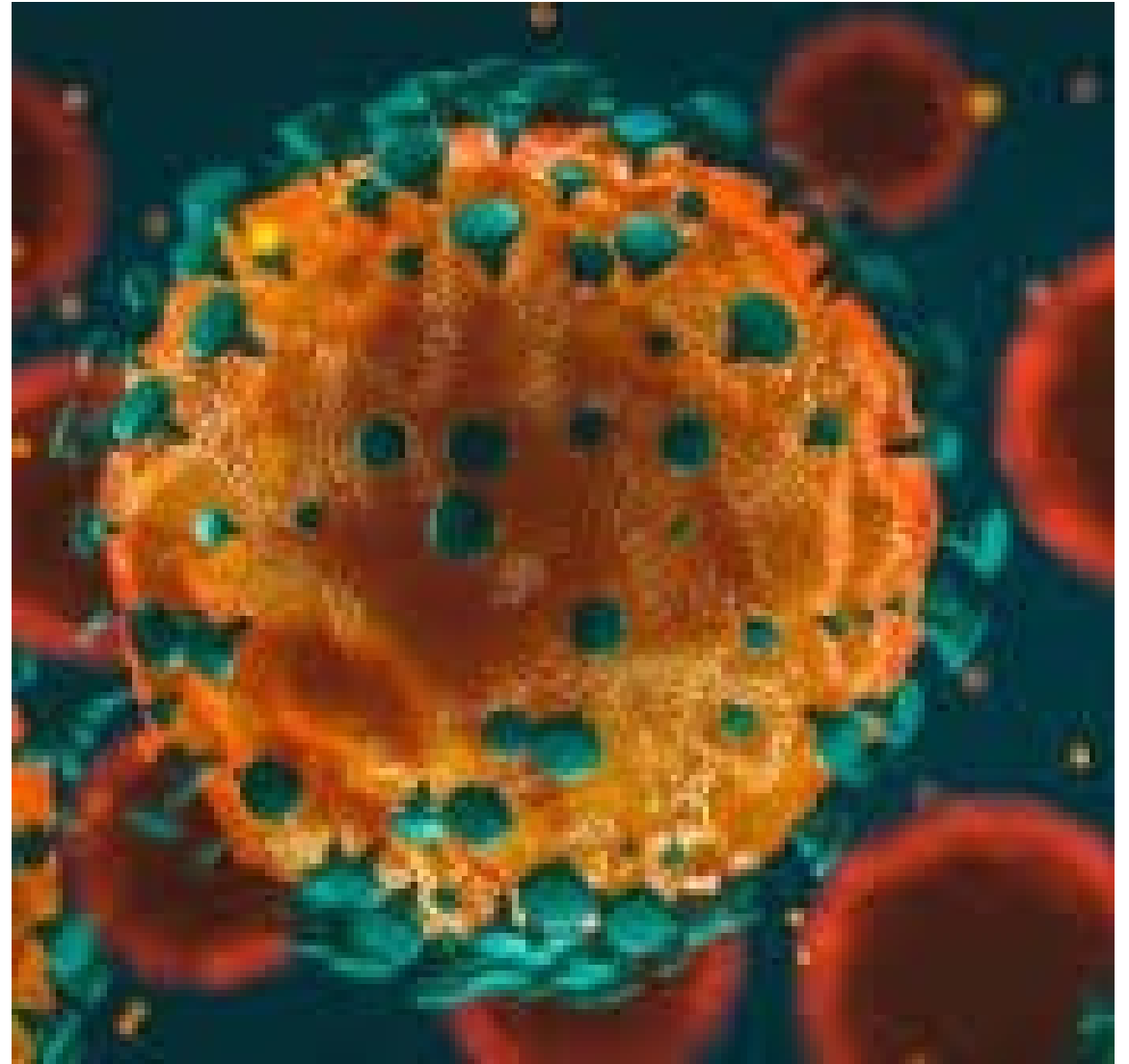
HFA Webinar

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Coronavirus Grips DC

- Coronavirus fears have injected great economic uncertainty in crucial election year
- \$8.3 billion funding bill approved and signed March 6th
 - Included money for federal and state agencies combatting the spread of the virus
 - \$3 billion for vaccine research
 - Allowed \$1 billion in loan subsidies to be made available to help small businesses impacted by financial losses as a result of the coronavirus outbreak
 - Administered by the Small Business Administration



Second Coronavirus Package

Key Elements

- **Paid Family Leave**
 - Provides employees of employers with fewer than 500 employees and government employers, who have been on the job for at least 30 days, with the right take up to 12 weeks of job-protected leave under the Family and Medical Leave Act
 - Secretary of Labor can exempt businesses with fewer than 50 employees from the longer-term mandate where it creates significant hardship
- **Paid Sick Leave**
 - Applies to businesses with fewer than 500 employees with a sunset of December 31, 2020
 - Mandatory 14 days for full-time employees – covers several scenarios such as self-quarantine, get tested for coronavirus, other family members in jeopardy
 - For part time workers – eligible for a two-week average of hours worked
- **Each provision includes a 100% refundable tax credit**
- **Expanded unemployment insurance benefits**
 - \$1 billion available through the UI system to handle increased demand
- **Coronavirus Testing**
 - Legislation would cover the cost of COVID-19 testing for those with private insurance, Medicare, Medicaid, VA, Tricare, and the uninsured

How Do Furniture Retailers Cover New Sick/Family Leave Provisions?

- Department of Treasury ensuring maximum flexibility - employers will be able to use cash deposited with the IRS to pay sick leave wages.
 - Additionally, for businesses that would not have sufficient taxes to draw from, Treasury will use its regulatory authority to make advances to small businesses to cover such costs
- Congressional intent of these provisions is to benefit the employer and the worker so that employees can take care of themselves or family members during this time
 - Employers will have access to direct Treasury assistance and expanded small business loans



Economic Stimulus

- Expected cost of this third package increases by the day – now expected to exceed \$1 trillion
- Senate Republicans are debating various proposals from the Administration
 - 4 task groups with Thursday deadline – health, tax, small business, and industry proposals

What Has Been Done

- Emergency Rate cuts by the Federal Reserve
- Tax Filing delays instituted by Department of Treasury and IRS – corporate filers get a 90-day delay (July 15, 2020) for income taxes due up to \$10 million



All Things Considered

- **Payroll Tax Cut**
 - Preferred method of President Trump however met with bipartisan resistance in Congress – cancelling payroll tax through end of 2020 would cost ~\$950 billion
 - Only temporary and then would cause Congress to ‘increase taxes’ once cut expires
 - **Direct fiscal stimulus to Americans** (cash payments to individuals)
 - Administration has proposed \$250 billion in immediate direct aid with another \$250 billion available in mid-May 2020 (if needed)
 - Some Senate Republicans do not agree with this approach on the grounds that the money will not be invested in the economy
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- **Industry stimulus** (\$50 billion for airlines; additional \$150-200 billion in small business loans and loan guarantees)
 - Administration has asked for a \$50 billion secure lending fund specific to the airline industry
 - Treasury would then determine the interest rates and other conditions applicable to the funds
 - This is a direct response to Senate Democrats and Republicans wanting to avoid an industry 'bailout'
 - The remaining funds would also be for secure lending and/or loan guarantees
- **Small Business Interruption Loans**
 - \$300 billion would be appropriated for the program
 - The U.S. government would provide a 100% guarantee on any qualifying small business interruption loan
 - Qualifying loan terms:
 - Eligible borrowers: Employers with 500 employees or less (phased out)
 - Loan amounts: 100% of 6 weeks of payroll, capped at \$1540 per week per employee (approx. \$80,000 annualized)
 - Borrower requirement: Employee compensation must be sustained for all employees for 8 weeks from the date the loan is disbursed.

Retail Specific Stimulus Option

- Qualified Improvement property (QIP) Fix is a top issue for Senate Republicans and the White House
 - Bonus depreciation and accelerated write down schedule
- QIP provision was mis-drafted in 2017 tax cut legislation and hurt retailers
- Economic stimulus package ***might*** provide an opportunity for a fix
- However, the political price remains very high so still unlikely this fix is enacted at this time



US - China Trade

- The Coronavirus continues to impact implementation of the Phase One trade deal
- U.S. has shown flexibility with the Chinese meeting its purchasing agreements with a caveat –
 - Once the virus-related shutdown ends in China, Chinese exports can not disproportionately outpace imports
 - Trade (im)balance will be a key metric to keeping the Trump Administration patient
- Additional talks around Phase One implementation and Phase Two starting points are in the very early stages
 - Timeline left uncertain given the coronavirus outbreak but priority for both sides to get them on track
- Reducing the current tariffs on Chinese imports has been floated by industry as an economic stimulus idea/proposal
 - Unlikely to be accepted by the Administration
 - Republican Senators also discussed removing steel tariffs as a stimulus
 - US Trade Representative has exempted some medical supplies from China import tariffs in recent days



