

CARES ACT (Phase III of COVID-19 Response) Set to Become Law

Later today, the House of Representatives is expected to pass the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which is the U.S. government's third legislative response to the COVID-19 crisis. President Trump is expected to sign the legislation shortly thereafter. This is a \$2 trillion piece of legislation that has many moving parts. This legislation is not the federal government's only response, there have been many regulatory and administrative actions taken by various agencies as well. Please check the [ELFA's Federal Government's COVID-19 Response page](#) on our website for all the latest resources.

[The bill](#), once it is enacted into law by the President, will put cash into the hands of most Americans in the coming weeks, provide guaranteed loans and/or grants to U.S. businesses of all sizes, and provide needed support to the health care system and the states. It should be emphasized that this is almost certainly not the last federal legislative response.

With a bill this large, it will take some time to figure out how everything is going to work, and ELFA members should be looking for guidance on how all of the various programs will be administered that will be issued by the Department of the Treasury, the Department of Labor, the Small Business Administration, and the IRS.

ELFA stands ready to work with you as you consider whether any of these various programs might be suitable for you. If you have any questions regarding these provisions, please contact Andy Fishburn at afishburn.elfaonline.org or 202-238-3419.

Paycheck Protection Program

For small businesses, there is a new Paycheck Protection Program totaling approximately \$350 billion that will provide loans for certain purposes through the existing Small Business Administration 7(a) program. This is a different program than the existing programs for disaster assistance, which may also be applicable and were changed by this legislation. The Paycheck Protection Program does

provide authority for non-bank lenders to participate, but the exact process for how new lenders could get involved is unclear. Current SBA lenders are likely to be heavily involved in these efforts, and some non-SBA lenders may view this as an opportunity although it may be difficult given the constraints involved. Please note that while there may be some benefits to getting involved, there will be conditions placed on program participants that ELFA members should consider before signing up for any new program.

Economic Stabilization

Within the [CARES Act](#), there is a very significant economic stabilization and assistance effort designed to help businesses and industries that are affected by COVID-19. This is a \$500 billion fund that allows the Secretary of the Treasury the ability to make loans, loan guarantees, and other investments in support of eligible businesses. This is the program that is expected to be used to stabilize the airline industry and other directly affected industries but will also likely be levered to provide funds through various programs at the Federal Reserve.

Tax Provisions

On the tax side, there are several provisions of import some with more immediate impacts than others:

- The restrictions on the use of net operation losses have been relaxed
- Payroll tax collections have been delayed for certain employers
- A new credit has been created towards certain employment taxes
- The limitation on the ability to deduct net business interest has been adjusted

In closing, the federal government's legislative response to this crisis has been massive, there are multiple new programs that have been created, and these are being developed on the fly. Some of these programs will be well suited for your customers, and ELFA member companies may want to directly avail themselves of others. Any business should fully understand the programs that they are entering into before they sign up and be sure that it meets your individual set of facts and circumstances.

Congressional Links

To access House and Senate information on committee hearings or your Members of Congress,

go to the [ELFA Advocacy Grassroots Network](#) page.

Federal Government Relations

www.elfaonline.org/advocacy/

[Andy Fishburn](#) - Vice President, Federal Government Relations

[Chelsea Neil](#) - Director, Federal Government Relations



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1625 Eye St NW, Suite 850 • Washington, DC 20006

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