

## Congress Passes Additional \$908 Billion Stimulus Bill

By Sean Fulmer

Original post [here](#).

Both houses of Congress quickly passed a new coronavirus-related economic relief package with widespread bipartisan support in the late hours of December 21. The new stimulus legislation, estimated at \$908 billion, includes further funds for the Paycheck Protection Program and other small business relief, another round of direct payments to households, extended unemployment benefits, and further support for airlines.

As vaccines for COVID-19 receive emergency-use authorization and begin distribution, Congressional negotiations [focused](#) on temporarily supporting the economy, without extending beyond a few months in the hopes that vaccinations will bring a quick end to widespread lockdowns. While the legislation passed with overwhelming bipartisan approval and the endorsement of President-Elect Joe Biden, many legislators [said](#) that this bill will not be enough to sustain the economy through a successful vaccination rollout.

Major Provisions	Cost Estimates
Paycheck Protection Program	\$284 billion
Direct Payments	\$166 billion
Extended Unemployment Benefits	\$120 billion
Education	\$82 billion
Health Care	\$63 billion
Nutrition and Agriculture Programs	\$26 billion
Rental Assistance	\$25 billion
Payroll Support Program for Aviation Workers	\$16 billion
Emergency Grants to Performance Venues	\$15 billion

The bill also closes all Treasury-supported liquidity facilities that the Federal Reserve established under the authority of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. See the forthcoming YPFS blog post for further detail on this.

### *Paycheck Protection Program*

The bill provides \$284 billion for a second round of Paycheck Protection Program (PPP) loans. This program, which aimed to provide partially forgivable loans to small and medium-sized

businesses, was one of the largest and most used programs under the CARES Act. It has also faced some controversy about whether the funds were going to those most in need.

Under the new legislation, PPP loans will be available to eligible entities that have less than 300 employees and experienced a decline in gross receipts of at least 25% during any quarter of 2020 compared to the same period in 2019. The maximum loan offered would be the lesser of either \$2 million or 2.5 times average monthly payroll costs. These are more stringent terms than the original PPP program, which had an employee cap of 500 and a maximum loan size of \$10 million or 2.5 times average monthly payroll. The legislation raises the loan cap to 3.5 times monthly payroll costs for food service and accommodation companies (those with a NAICS code beginning with 72).

The Treasury will fully forgive PPP loans if businesses spend at least 60% of the funds on payroll during the covered period, which is either eight or 24 weeks (chosen by the recipient). This second round of PPP will utilize a simplified one-page loan forgiveness application for loans under \$150,000, with businesses simply listing the loan amount, number of employees, and estimated total payroll. Banks can execute PPP loans until March 31, 2021, but it is currently unclear if there will be an earlier application deadline.

The stimulus package retroactively allows business owners to deduct for tax purposes the entirety of their PPP loans, which are not considered taxable income. This deduction has no guardrails or qualifiers. Secretary Mnuchin and the Internal Revenue Service argued prior to the release of the legislation that PPP loans should not be deducted, with Secretary Mnuchin terming it “[double-dipping](#).” This provision potentially allows some business owners to claim a negative tax rate on their PPP loans. One economist [estimated](#) the cost to the government of those tax write-offs will be \$200 billion or more. This price tag is not included in the Congressional estimate of the overall cost of the stimulus package, since it is a retroactive addition to the CARES Act and thus, not a new tax break.

The legislation widens eligibility for the PPP program to include hospitals, small news organizations, 501(c)(6) nonprofits, and others. 501(c)(6) nonprofits are only eligible if they spent less than \$1 million on lobbying expenses in the most recent tax year. The bill also adds PPE expenses, outdoor dining costs, and supplier costs to the list of eligible and forgivable expenses.

The legislation grants \$20 billion for Economic Injury Disaster Loans (EIDL). Under the CARES Act, entities that received an EIDL grant would have that grant deducted from their PPP forgiveness amount; the new legislation repeals that provision. Additionally, the legislation tweaks bankruptcy provisions to allow businesses in Chapter 11 to borrow PPP loans.

#### *Direct Payments to Households*

Congressional Democrats [estimate](#) that direct payments to households in the new legislation will cost \$166 billion. Eligible households will receive \$600 for each adult and \$600 for every dependent under the age of 17, a change from the payments of \$1,200 and \$500, respectively,

provided by the CARES Act. The payments are based on 2019 income. Those with “individual” filing status and “married filing jointly” status are eligible for the maximum payment if their adjusted gross income (AGI) is \$75,000 or less for individuals and \$150,000 for married couples. For households with higher incomes, the payment amount will slowly phase out at the same 5% rate as under the CARES Act. For example, individual filers with AGI up to \$87,000 would receive some payment. Despite previous [inclusion](#) in negotiations, adult dependents are not eligible to receive a direct payment.

The CARES Act [blocked](#) mixed-status households, in which some persons in the household do not have a Social Security number, from receiving any direct payment. However, the new legislation removes that restriction retroactively, allowing mixed-status households to receive direct payments based on their eligible members. This provision still excludes households with children who are US citizens but parents who both lack Social Security numbers.

Banks are legally prohibited from garnishing these direct payments in order to pay for pre-existing debts. Such a prohibition [was not included](#) in the CARES Act.

Treasury Secretary Steven Mnuchin [said](#) that he expected the direct deposits would reach households faster than the first iteration of the CARES Act, possibly before the end of 2020 - “This is a very, very fast way of getting money into the economy.” The deadline for the delivery of payments is January 15, 2021. If an eligible household receives an incorrect payment or does not receive a payment, they can claim this error in their 2020 tax filings; a similar mechanism applies to CARES Act payments.

### *Extended Unemployment Benefits*

The stimulus package allocates \$284 billion toward extending and increasing unemployment benefits. The legislation extends the current temporary unemployment programs, including Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC), for an additional 11 weeks, until March 14, 2021. The PUA program provides benefits to eligible individuals usually excluded from regular unemployment insurance (UI), such as gig workers and self-employed workers. The PEUC program provides an extension of benefits for individuals who have exhausted their regular UI.

If an individual has not used up their maximum number of weeks for PUA or PEUC benefits by March 14, they are eligible to receive benefits until April 4. However, no new applications for benefits will be accepted after March 14.

Benefits under all federal unemployment programs will increase by \$300 per week through April 4, which is half of the \$600 per week addition to unemployment included in the CARES Act. The legislation did not make this enhancement retroactive, even though the enhanced CARES Act benefits ended in the summer.

Federal Unemployment Benefit Program	Continuing Claims (11/28)	Estimated Average Benefit of Legislation (over the entirety of the benefit)
PUA	9.2 million	\$6,230
PEUC	4.8 million	\$7,400
Total UI	20.6 million	n/a

Source: [Department of Labor](#) and [Century Foundation](#)

The bill introduces reporting requirements for applicants to unemployment programs. Continuing claimants of PUA have 90 days after enactment to submit prior employment or self-employment documentation to state unemployment offices in order to remain eligible for the benefit. Previous PUA payments cannot be clawed back for a failure to submit documentation. New claimants who apply on or after January 31 only have 21 days to submit the documentation. Under the CARES Act, applicants for PUA previously only needed to submit a written attestation. This will likely cause a significant administrative burden on the states' unemployment offices, since there are about nine million continuing claims under PUA.

States must include return-to-work reporting as a result of the new legislation. This is expected to be in the form of a hotline that employers can use to notify state agencies that an individual receiving UI rejected an employment offer. This must be set up within 30 days of the enactment of the legislation.

Mixed earners, those with both employed and self-employment income, previously received a regular UI benefit that did not consider their self-employment income and were not eligible to claim both regular unemployment and PUA. The new legislation creates the option for states to provide a \$100 benefit to these mixed earners in addition to their regular UI and the \$300 additional benefit. This enhanced benefit applies to mixed earners with at least \$5,000 in 1099 income. States do not have to provide the \$100 benefit.

#### *Rental Assistance and Eviction Moratorium*

The bill contains \$25 billion for rental assistance, a benefit that has been [much debated](#) over recent months as tens of millions missed rental payments without a clear end plan to avoid [balloon payments and mass evictions](#). Prior to the passage of the new stimulus package, housing advocates [called](#) for at least \$100 billion in rental assistance.

The assistance will be distributed to states based on a population-weighted formula. At least 90% of the funds must go toward directly paying individuals' rent, rental arrears, utilities, utilities arrears and other expenses related to COVID-19. This aid should not last longer than a year, unless an extra three-month transitional period is needed to ensure housing stability. The aid should go directly from the state or locality to the landlord or utility company. Landlords can help a tenant apply for this aid or apply on their behalf, with the consent of the tenant.

Eligible households must meet one of the following requirements: qualify for UI benefits, experience a reduction in income due to COVID-19, be at risk of homelessness, or have a household income less than 80% of the area median income. The Secretary of Housing and Urban Development should reclaim unused funds on September 30, 2021, and reallocate them to grantees that have used at least 65% of their original funds.

The law also extends the Centers for Disease Control eviction moratorium, due to expire at the end of the year, until January 31, 2021, without any further changes to the composition of the order. This allows President-Elect Biden to extend the moratorium further once he takes office, without an interruption in protections. Additionally, the bill includes protections for those in arrears on their utilities payments, as long as they provide partial payment, which would limit utility shutoffs.

The bill introduces some minor alterations to the residential mortgage market. First, Chapter 13 debtors who have missed three monthly payments on a residential mortgage can still have their debt discharged, if the missed payments result from a financial hardship caused by COVID-19. Second, the legislation establishes a formal process for mortgage servicers to file forbearance proofs of claims received as a result of the CARES Act, which [fixes](#) an issue caused by the original CARES Act. However, the new bill does not provide any further relief, such as additional forbearance or foreclosure moratoriums, beyond the original CARES Act provisions.

### *Airlines*

Although the CARES Act had allotted specific funding to support retention of aviation industry employees since March, the airlines experienced unprecedented decreases in ridership and several furloughed tens of thousands of employees when the funds ran out. The new legislation allocates \$16 billion in payroll support to aviation companies, of which passenger air carriers will receive \$15 billion. These funds shall “exclusively be used for the continuation of payment of employee wages, salaries, and benefits” to aviation employees. Aviation companies that already received CARES Act funds through the Payroll Support Program must recall within 72 hours any employees furloughed between October 1 (when previous aid and protections ran out) and the execution of an agreement in order to qualify for further funds. Employers are required to pay recalled employees missed pay and benefits for the period from December 1 until the execution of an agreement.

If an airline did not receive CARES Act funding and wishes to apply for new funding, they must recall all employees furloughed since March 27 within 72 hours of executing an agreement for new funding. They must also pay back pay and benefits from December 1 until the execution of an agreement. In the future, any recipients of new funds must refrain from involuntarily furloughing employees or cutting wages until March 31, 2021. Passenger air carriers receiving government funds under this legislation will not be allowed to pay dividends or pursue buybacks until March 31, 2022. Airlines [expect](#) to receive these new funds within 10 days of the bill signing.

In addition to the funds for airlines, the legislation appropriates \$2 billion for airports, \$14 billion for transit, \$10 billion for state highways, \$1 billion for Amtrak, and \$2 billion for private bus companies. These funds primarily go to covering payroll costs and ensuring no declines in service quality.

### *Miscellaneous Provisions*

The bill provides \$15 billion in emergency grants to closed venues, such as theaters, museums, and concert halls. These businesses were hit severely by lockdown orders that forbid large gatherings. Entities are eligible if the venue operator has suffered a decline in gross earned revenue of at least 25% in any quarter of 2020 compared to the same period in the previous year. The legislation establishes two priority periods for disbursement of grants. During the first 14-day period, initial grants can only be made to entities that have revenues from April to December 2020 of less than 10% of the same 2019 level. The second 14-day period is open to entities that have revenues of less than 30% of the same 2019 level. After the priority periods, grants can be provided to any eligible entity. The bill dedicates \$2 billion of the overall amount to venues with under 50 full-time employees.

Within the \$26 billion allocated to nutrition and agriculture, \$13 billion goes toward funding an increase in Supplemental Nutrition Assistance Program (SNAP) benefits. The value of SNAP benefits increases to 15% higher than the June 2020 value of the thrifty food plan, the baseline food basket for calculating SNAP benefits, and lasts from January 1, 2021 until June 30, 2021. In addition to this increased benefit, the legislation considers children under the age of six to count as eligible household members for benefit calculations, which means that those households would receive an entire extra allocation of benefits. Federal unemployment benefits are not considered income as it relates to SNAP income eligibility. The legislation further appropriates \$12 billion to agricultural producers, on [top](#) of an already historic \$46 billion that the federal government has funneled into the agricultural sector in 2020.

Recent [reports](#) showed that state and local governments faced a time crunch to spend their allocated funds before the initial CARES Act deadline of December 31, 2020, as bureaucratic delays restricted their timelines. The new bill extends the deadline for a year, until December 31, 2021, allowing states and localities greater flexibility to spend and develop assistance programs.

The relief package also includes a controversial provision [championed by President Trump](#) that allows entities to deduct 100% of the cost of business meals, an increase from the current 50%. Opponents argued that it would promote inside dining at a time when the pandemic is still not under control. The provision states that it applies until 2023 and applies to “food or beverages provided by a restaurant.” The Joint Committee on Taxation [scored](#) this provision at \$6.3 billion in foregone revenue.

The package includes \$69 billion for vaccines, testing, contact tracing, community health and health care provider support. The legislation allocates \$12 billion for Community Development Financial Institutions and \$82 billion for education, with a similar distribution as the CARES

Act. The bill writes off the \$10 billion loan provided to the Postal Service through the CARES Act.

*Notable Omissions*

The stimulus package notably does not include two of the most controversial proposals: [unconditional aid to state and local governments](#) and [liability protections for businesses](#).

Democrats dropped their request for further relief for state and local governments, which have [lost](#) 1.3 million jobs since the beginning of the pandemic. States and localities will still receive aid for less fungible purposes, such as vaccine distribution, education, and nutrition. In return, the Republicans shelved their proposed liability shield, which would have limited the ability of consumers and employees to bring COVID-related lawsuits against businesses.