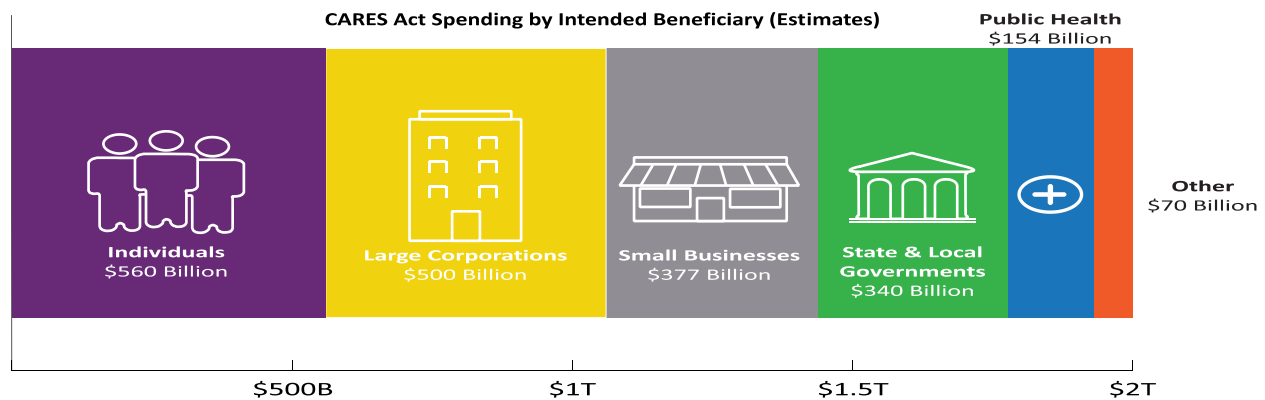


## What the CARES Act Means for Nevada’s Families and Businesses

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted into law in response to the COVID-19 pandemic. At \$2 trillion, it is one of the largest relief packages in U.S. history.<sup>a</sup> It aims to shore up the economy and provide relief to families facing economic hardship due to the downturn caused by the pandemic. Included in the act is an estimated \$560 billion for individuals, \$500 billion for large corporations, \$377 billion for small businesses, \$340 billion in support for State and Local Governments, and \$154 billion for Public Health, as shown in Figure 1.<sup>1</sup>

**Figure 1: CARES Act Spending by Intended Beneficiary**



Source: National Public Radio, March 26, 2020.

Below we provide a summary of the key provisions of the CARES Act for individuals, families, and businesses.

### Individuals and Families

#### Direct Payments

The legislation authorizes \$290 billion for one-time cash payments to taxpayers, which represents 14.5 percent of the \$2 trillion package.<sup>2</sup> The amount individuals will receive will be determined on the basis of Internal Revenue Service (IRS) federal tax filing status, income, and the number of claimed dependents under the age of 17. The payments have gradual phase-outs for households with higher incomes and complete phase-outs at certain income thresholds. As shown in Figure 2, the payment is \$1,200 for single filers and heads of household, and it is \$2,400 married for married couples filing jointly. Individuals with adjusted gross income (AGI) of \$75,000 or less per taxable year will be eligible for the full \$1,200.<sup>3</sup> Head of household filers with AGI of \$112,500 or less will

<sup>a</sup> The 2008 American Recovery and Reinvestment Act approved by President Obama and the U.S. Congress, totaled \$787 billion over a ten-year period (2009-2019). Source: <https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/costestimate/hr1conference0.pdf>.

be eligible for \$1,200, as well. Married couples who file jointly are eligible to receive \$2,400 if their AGI does not exceed \$150,000.

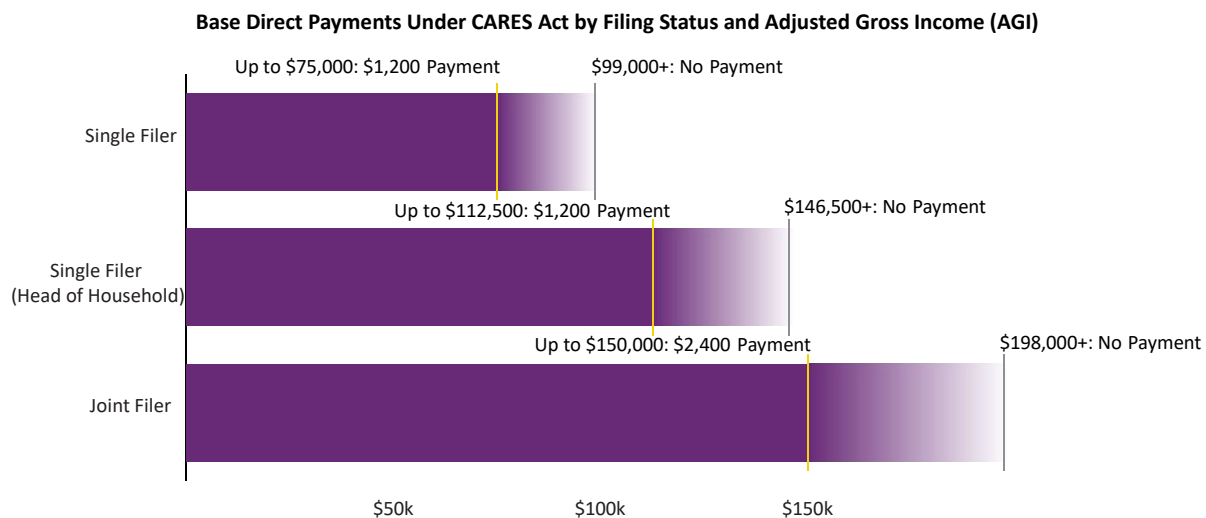
To qualify, individuals must have filed a federal tax return for either the 2018 or 2019 tax year.<sup>b</sup> Adults who receive Social Security and do not file tax returns will be required to fill out a simple tax return with the IRS in order to be eligible for payment. Additionally, households with dependents will be provided an additional \$500 per child under the age of 17.

As noted above, there are gradual phase-outs in direct payment amounts for AGI that exceeds these thresholds, meaning that some taxpayers will not receive the full amount but will be eligible for reduced payments. The reduced payment is calculated by deducting \$5 for every \$100 in AGI above the threshold. For example, if a married couple with two children files jointly and has an AGI of \$160,000, the direct benefit of \$2,400 would be reduced by \$500 to \$1,900, but the \$500 per additional child would add \$1,000 such that the couple can expect to receive a total direct payment of \$2,900. The reduced payments phase out completely at \$99,000 for single filers, \$198,000 for joint filers, and \$146,500 for heads of household.

Using IRS individual income and tax data from 2017, the Guinn Center estimates that roughly 92.4 percent of Nevada’s households that filed a return in 2018 or 2019 can expect to receive a direct payment, though for some, it will be reduced.<sup>4</sup> The data does not account for those who did not file a return, which is not captured in the IRS data, and our estimate is premised on the assumption that AGI and filing status for 2018 (or 2019) remain identical to 2017.

For individuals interested in estimating their direct payment amount, the Tax Foundation has provided a calculator which can be accessed [here](#).

**Figure 2: Direct Payments Under CARES Act, by Filing Status and Adjusted Gross Income (AGI)**



<sup>b</sup> Direct payments will be calculated using individuals’ 2019 returns, unless they have not been filed at the time of issuance, in which case 2018 returns will be used. If a return was not filed for one of those tax years, the other will be used instead. It is not yet known how reduction in payments will be affected if AGI differs between the two years and what the implication is, given the particular tax year in question.

### *Unemployment Insurance*

In response to the COVID-19 pandemic, on March 13, 2020, Governor Steve Sisolak issued an emergency order requiring all non-essential businesses to halt operations. This shutdown was extended through a stay-at-home order issued by the governor on April 1, 2020, that is in effect until at least April 30, 2020.

A considerable portion of Nevada's workforce has been furloughed or laid off. Roughly 93,000 Nevadans filed for unemployment benefits in the week beginning on March 15, 2020, compared to 6,356 the previous week, which is an increase of over 1,300 percent in weekly unemployment claims.<sup>5</sup> Particularly at risk of financial hardship due to these layoffs are the large portion of Nevada's workforce within the gaming, tourism, retail, and service industries. As the Economic Policy Institute observes, in Nevada, "two out of every five jobs are in leisure, hospitality, or retail."<sup>6</sup>

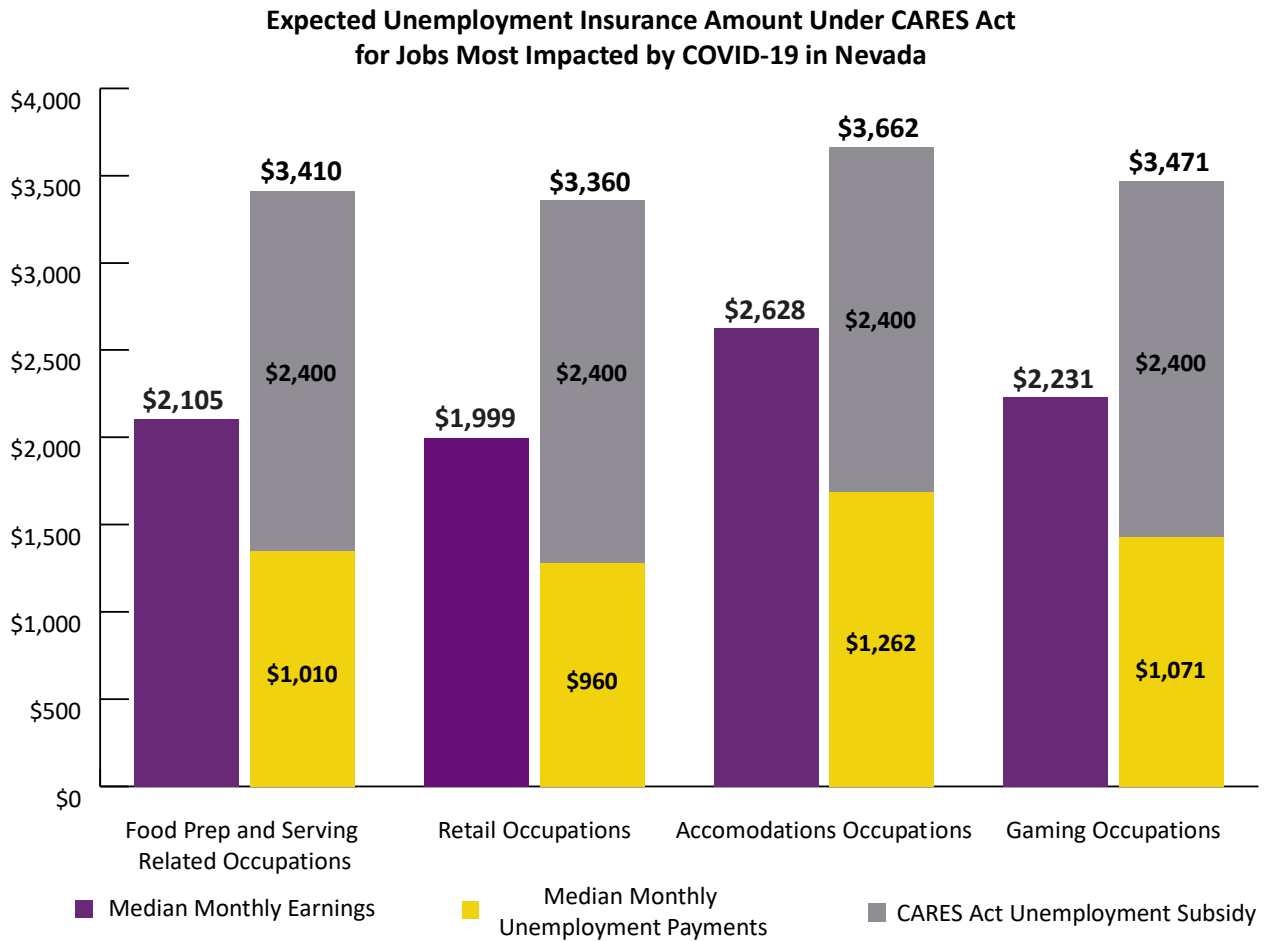
Under current unemployment benefit guidelines, the State of Nevada provides individuals terminated or laid off from their jobs who worked at least 4 of the last 5 quarters (otherwise known as the base period) before the claim up to 26 weeks (roughly 6.5 months) of unemployment insurance (UI).<sup>7</sup> Individuals receiving UI are required to abide by a seven-day waiting period before applying for benefits and must certify they are "able, available and willing to accept suitable work." In light of the COVID-19 crisis, Governor Sisolak has suspended the waiting period and work search requirements. The amount an individual is qualified for under UI is dependent upon their previous wage, with recipients receiving four percent of their highest quarterly earnings in the base period each week with a maximum weekly payment of \$469 (\$1,876 a month).

To provide financial relief to individuals facing layoffs related to COVID-19, the CARES Act has modified guidelines for unemployment insurance.<sup>8</sup> Under the CARES Act, any unemployed individual who is unable to work remotely, is suffering from an unpaid COVID-19 related work furloughs, or who is self-employed and unable to maintain their business, is qualified to receive unemployment insurance. This expansion of eligibility also includes individuals who have already exhausted existing state and federal unemployment benefits.

The CARES act will provide for an expanded eligibility period which will be in effect from January 27, 2020, to December 31, 2020. Moreover, the CARES Act will provide another \$600 weekly federal benefit in addition to typical state benefits, which will apply to any unemployment payments made through July 31, 2020. For workers with jobs most affected by COVID-19, this extra \$600 benefit will effectively triple the monthly amount eligible individuals would otherwise receive from traditional state unemployment payments. Figure 3 displays the median monthly earnings compared to the typical median monthly unemployment payments for those workers, and the amount of unemployment insurance they can expect to receive under the CARES Act.<sup>9</sup>

Unemployment insurance claims can be filed with the State of Nevada, Department of Employment, Training, and Rehabilitation (DETR) online [here](#).

**Figure 3: Expected Unemployment Insurance Payments Under CARES Act for Jobs Most Impacted by COVID-19 in Nevada**



Source: U.S. Bureau of Labor Statistics. Note: Median monthly unemployment payments calculated by the Guinn Center.

*Students*

All loan and interest payments on student loans issued by the U.S. Department of Education have been suspended for six months through September 30, 2020.<sup>10</sup> Moreover, universities are authorized to turn unused work-study funds into supplemental grants to provide students hired through work-study programs the ability to be paid while on-campus schooling is suspended.

## Small Businesses/Nonprofits

### *Paycheck Protection Program and Other Small Business Administration Initiatives*

In addition to aid provided to individuals and families, the CARES Act offers significant assistance to small businesses and nonprofits. Included in the federal aid package is \$349 billion for the Paycheck Protection Program (PPP), which is earmarked for loans to small businesses, including nonprofits, to cover costs associated with maintaining their workforce.<sup>11</sup> This program will allow businesses that have been affected by COVID-19's impact on local economies to borrow money for expenses such as payroll costs, health care benefits, employee compensation for workers who earn up to \$100,000 annually, mortgage interest obligations, rent and utilities, and interest on debt incurred. The program will cover the period between February 15, 2020, to June 30, 2020.

To be eligible for the PPP, the entity must be a small business, 501(c)(3) organization, a 501(c)(19) veterans organization, or tribal business concern with not more than 500 employees. Larger companies are also eligible if their size standard for the industry meets Small Business Administration (SBA) guidelines. Qualified small businesses will be eligible for a loan up to an amount equivalent to 250 percent of the employer's average payroll costs or \$10 million, whichever is less. Unlike other federal loans administered by the SBA, eligibility will also be determined by whether a business was in operation on February 15, 2020 and had employees on its payroll rather than repayment ability.

The program incentivizes small businesses to maintain their workforce by providing that borrowers will be eligible for loan forgiveness equal to the amount spent during an eight-week period on the aforementioned expenses. This forgiveness will be reduced proportionally to any reduction in the number of employees. However, employers who rehire employees who have already been laid off due to the crises will not be penalized for having reduced payroll at the beginning of the year. For borrowers who do not qualify for forgiveness due to layoffs, interest rates will be tiered in accordance with the dollar amount borrowed and will not exceed four percent during the covered period, while payments will be deferred for six months with options for deferment up to one year.

Moreover, the Act directs the SBA to expand eligibility for Emergency Economic Injury Disaster Loans (EIDLs) to individuals operating sole proprietorships, independent contractors, cooperatives, nonprofits, and employee stock ownership plans (ESOPs) with not more than 500 employees.<sup>12</sup> Applicants may request an advance of up to \$10,000 for immediate operating costs that is not subject repayment. The CARES Act also provides for assistance in paying loans previously granted by the SBA for six months. It is important to note that the EIDL advance is *separate* from an EIDL loan itself.

Lastly, the SBA was given nonbinding guidance to prioritize small businesses in underserved and rural markets and those owned by socially and economically disadvantaged individuals, veterans, and women, and businesses in operation for less than two years.

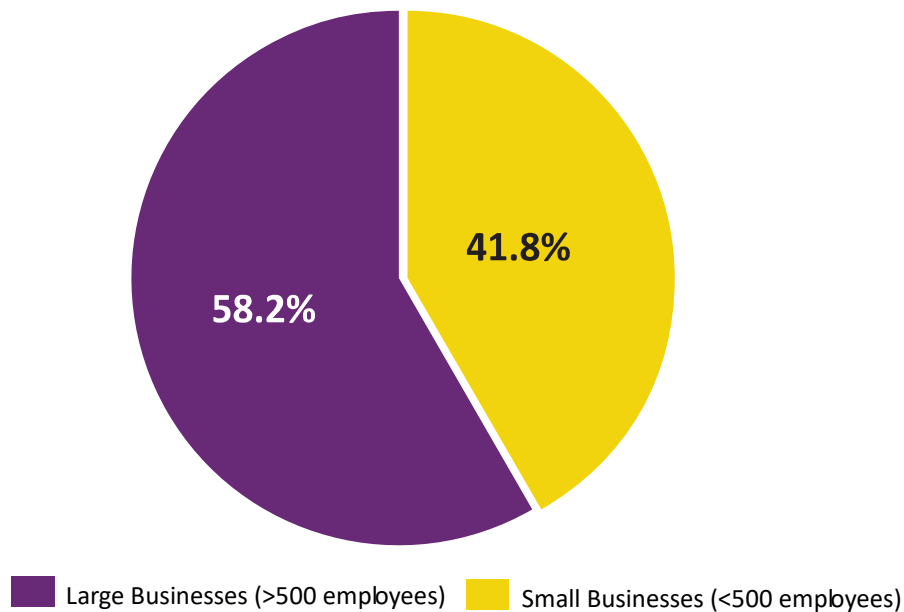
This program has the potential to provide significant economic relief for a large portion of Nevada's workforce. As shown in Figure 4, in 2016, Nevada's 270,079 small businesses accounted for 99.2

percent of all business licenses in Nevada and employed 41.8 percent of all employees within the state.<sup>13</sup>

Small businesses, nonprofits, and other eligible entities interested in applying for the Paycheck Protection Program may do so through a participating SBA lender, which includes banks, credit unions, and other financial institutions. A list of participating SBA lenders can be located on page 30 of the SBA Nevada Resource Guide which is available [here](#). Eligible entities seeking an EIDL can access the application on the SBA’s website [here](#).

**Figure 4: Percent of Employed Nevadans by Size of Employer**

**Percent of Employed Nevadans by Size of Employer**



*Source:* Small Business Administration

*Employee Retention Credit for Employer Subject to Closure Due to COVID-19*

To assist with employers of all sizes in maintaining their workforce, the CARES Act will also provide eligible employers with a fully refundable tax credit against employment taxes for each calendar quarter. This tax credit will be equal to 50 percent of the first \$10,000 in qualified wages up to a maximum of \$5,000 per employee. For employers with 100 or more employees, qualified wages are defined as those paid to employees when they are not providing services due to crises related shutdowns.<sup>14</sup> For employers with less than 100 employees, all employee wages will qualify for the credit. To be eligible, a business must simply have been in operation during calendar year 2020 and had their operations fully or partially suspended due to a governmental order in response to the COVID-19 crisis.

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The Guinn Center is a 501(c)(3), nonpartisan, independent policy center that advances evidence-based policy solutions for Nevada through research, public engagement, and partnerships.

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