

RV INDUSTRY ASSOCIATION PRIORITIES IN THE CARES ACT



On Friday, March 27, the House passed a “Phase 3” economic stimulus package, the Coronavirus Aid, Relief and Economic Security (CARES) Act. The Senate previously passed the CARES Act on Wednesday, March 25 by a unanimous vote of 96-0. The stimulus package includes over \$2 trillion in spending and tax relief including forgivable loans to small businesses, direct payments and tax relief for individuals, tax relief for businesses, financial assistance for vulnerable industries, additional health funding and policies, and additional assistance for financial markets in response to the COVID-19 pandemic.

5 THINGS YOU NEED TO KNOW ABOUT THE CARES ACT:

1

The CARES Act includes over \$350 billion in low interest, small business loans with potential to be partially forgiven.

2

Tax rebate payments of as much as \$1,200 for individual taxpayers, and \$500 per child, phased out when AGI exceed \$75,000 for individuals and \$150,000 for couples filing jointly.

3

\$500 billion, including \$24 for U.S. airlines, for the Treasury Department’s Exchange Stabilization Fund for loans and assistance to distressed companies and state and municipalities in 2020.

4

An additional \$600 per week for up to four months for those receiving unemployment benefits.

5

\$150 billion for aid to state, local, and tribal governments.

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CONGRESSIONAL ACTION TO ENSURE FINANCIAL CERTAINTY FOR BUSINESSES

The CARES Act provides \$350 billion to small businesses to keep employees on the payroll. The size of the loan would equal 250 percent of employer's average monthly payroll, but the maximum loan amount would be \$10 million. The portion of the loan used for payroll costs, interest on mortgage obligations, rent, and utilities is eligible for forgiveness, but will be reduced if employees are terminated or have their pay cut. The loan provision is retroactive to Feb. 15, 2020 to help bring workers already laid off back onto payrolls and runs through June 30, 2020.

Does your business qualify?

Small business is defined as a 501(c)(3) nonprofit, a 501(c)(19) veteran's organization, or Tribal business concern described in section 31(b)(2)(C) of the Small Business Act with not more than 500 employees, or the applicable size standard for the industry as provided by SBA, if higher. Quite a few RV businesses do have higher applicable size standards including Truck Trailer Manufacturing (336212) 1,000 employees; Motor Home Manufacturing (336213) 1,250 employees; and Travel Trailer and Camper Manufacturing (336214) 1,000 employees. Members should use their North American Industry Classification System (NAICS) number to check SBA's size standards here to confirm their cap.

What can these loans be used for?

Covered payroll costs include salary and wages up to annual rate \$100,000; health care benefits, commissions, or similar compensations; payments of interest on any mortgage obligation, rent, utilities, and interest on any other debts. Loans will be made immediately available through more than 800 existing SBA-certified lenders, including banks and credit unions. Additional lenders will be brought into the program.

What are the borrower requirements?

The loan is to support the ongoing operations of business. Funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments. Businesses must not have an application pending for a loan of the same purpose and must not have already received a loan for the same purpose.

What is the interest rate?

A covered loan shall bear an interest rate not to exceed 4 percent.

The CARES Act allows businesses and self-employed individuals to defer payment of employer share of 6.2% Social Security tax. The bill breaks up deferred employment tax into two installment payments over the following two years, with the first half due by December 31, 2021, and the remaining half by December 31, 2022. A refundable payroll tax credit is provided for 50 percent of wages paid by employers whose operations were fully or partially suspended due to a COVID-19 related shut down order, or if gross receipts were 50 percent lower than the same quarter in the previous year. Deferral would not apply to employers with small business loan debt forgiven under the bill.

The CARES Act sets up a national small business sustainability program to help partially unemployed workers to support employee retention. It provides temporary funding for existing state short-time compensation (STC) programs to give businesses the ability to reduce work hours to avoid layoffs. Workers whose hours are reduced may be compensated with STC, which is a regular unemployment benefit, pro-rated for the partial work reduction. \$100 million in grants is provided for states without STCs to develop and enact programs. The Department of Labor is to provide assistance and guidance to states to

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implement STCs by providing model legislative language to enact programs, provide implementation technical assistance and guidance, and establish reporting requirements for states on the number of estimated averted layoffs and the number of participating employers and workers.

The CARES Act provides modifications for net operating losses. The provision relaxes the limitations on a company's use of losses. It would allow business losses from tax years after December 31, 2017, and before January 1, 2021, to be carried back five years. Net operating loss carrybacks were eliminated for most businesses by the 2017 tax overhaul. Now the full amount of net operating loss carryovers and carrybacks may be used for tax years beginning before Jan. 1, 2021. The deduction was limited to 80 percent of taxable income under the 2017 tax overhaul. A separate deduction limit would be established for tax years beginning after Dec. 31, 2020. The measure would modify the effective date of changes to the net operating loss deduction included in the 2017 tax overhaul. These changes will allow businesses to utilize losses and amend prior year returns, which will provide critical cash flow and liquidity during the COVID-19 emergency.

INDIVIDUAL TAXPAYER PROVISIONS

The CARES Act provides tax rebates of as much as \$1,200 per individual or \$2,400 for couples who file joint tax returns. An additional \$500 would be provided for each child. The full credit is available to taxpayers with an adjusted gross income up to \$150,000 for joint returns, \$112,500 for heads of household, and \$75,000 for other filers. The rebate is reduced by \$5 for every \$100 over the above limits and would completely phase out for incomes exceeding \$198,000 for joint filers, \$146,500 for heads of household, and \$99,000 for individual filers. The rebate would be

based on 2019 taxes, or for individuals who have not filed, against their 2018 taxes or 2019 Social Security statements and payments would be made through Dec. 31, 2020.

DISTRESSED COMPANY PROVISIONS

Treasury will implement a new lending program to target funding to medium-sized businesses (50-10,000 employees). Up to \$454 billion from the Treasury Department's Exchange Stabilization Fund would be available to make loans, loan guarantees, and other investments to support programs or facilities established within the Federal Reserve. These loans will be subject to additional criteria such as retaining at least 90 percent of the recipient's workforce, with full compensation and benefits, through September 30, 2020; agreeing not to outsource or offshore jobs for the term of the loan plus additional two years; not abrogating existing collective bargaining agreements for the term of the loan plus two years; and remaining neutral in any union organizing effort. Funds could be used to purchase obligations or other interests from businesses, states, or municipalities directly or in secondary markets. The Treasury Department would set loan rates based on risk and the current average yield on U.S. debt. Loan forgiveness will not be allowed. An additional \$46 billion is available for airlines, related businesses, and critical national security businesses with losses that threaten their continued operation could receive loans.

MISCELLANEOUS PROVISIONS

The CARES Act provides additional provisions for the Forest Service, including \$34 million for cleaning and disinfecting of public recreation amenities and \$26.8 million for capital improvement and maintenance to prevent, prepare for, and respond to coronavirus. This includes janitorial services.