

Senate Unanimously Passes Coronavirus Relief Package

POSTED ON MAR. 26, 2020

By

 JAD CHAMSEDDINE
Contact Author

 ALEXIS GRAVELY
Contact Author

The Senate unanimously passed an economic aid package that will provide taxpayers with a rebate, temporarily modify provisions of the Tax Cuts and Jobs Act, and expand unemployment insurance.

The [Coronavirus Aid, Relief, and Economic Security Act \(H.R. 748\)](#) had overwhelming support after almost a week of negotiations. Lawmakers announced a deal in the morning of March 25, but negotiations continued throughout the day to nail down language that appeased both sides.

While the tax provisions agreed to by both sides remained largely unchanged, Republican lawmakers were unhappy with language expanding unemployment insurance, arguing that it discouraged individuals from going to work because they could make more while unemployed.

Republican Sens. Lindsey Graham of South Carolina, Tim Scott of South Carolina, Rick Scott of Florida, and Ben Sasse of Nebraska offered an amendment to change the unemployment provisions to prevent an individual from receiving unemployment compensation that is more than the amount of wages the individual was earning before becoming unemployed. The amendment, which required 60 votes for adoption, was defeated 48 to 48.

The bill now heads to the House, where it may encounter problems after some progressive Democrats criticized it. House Majority Leader Steny H. Hoyer, D-Md., said in a statement that he expects to hold a voice vote on the issue that will allow most members to stay in their districts.

What's New

An employee retention tax credit is one of the few new additions to the legislation. The credit would be available to businesses that have had to fully or partially suspend operations as the result of a government order or have seen their gross receipts decline by more than 50 percent compared with this quarter last year.

The credit is aimed at encouraging businesses to keep employees on their payrolls and would fully cover 50 percent of the wages paid by an employer during the shutdown, up to \$10,000 per employee.

“That is exactly equivalent to a 50 percent cut in their payroll,” Finance Committee member Patrick J. Toomey, R-Pa., said on a conference call. “That’s going to enable a lot of medium and large businesses to retain their workforce.”

Small businesses with fewer than 100 employees would receive the 50 percent credit for all wages paid, regardless of whether they are open. “Small businesses are being hit especially hard. Without additional support, many will be permanently shuttered by this crisis,” Finance Committee ranking member Ron Wyden, D-Ore., said.

Lawmakers also responded to the apparent shortage of hand sanitizer by waiving the federal excise tax on distilled spirits used to make it. Several large alcohol producers, including Anheuser-Busch and the makers of Tito’s Handmade Vodka, have added hand sanitizer to their inventory.

What Survived

Lawmakers from both parties agreed to roll back a Tax Cuts and Jobs Act provision preventing net operating losses from being carried back to reduce income in a prior year. The provision has been relaxed to allow for losses in tax years 2018 through 2020 to be carried back up to five years.

Rohit Kumar of PwC’s Washington National Tax Service, former deputy chief of staff for Senate Majority Leader Mitch McConnell, R-Ky., told *Tax Notes* that rolling back the limitation was an obvious choice for lawmakers. “It allows them to quickly bring some liquidity to their balance sheet,” Kumar said, explaining that many companies will likely incur losses this year because of the economic downturn caused by the coronavirus pandemic.

Another provision that would help businesses generate liquidity is temporarily increasing the amount of interest a business can deduct from 30 percent to 50 percent. Kumar suggested that in the future, the limit could further increase or be temporarily repealed, depending on the economic outlook.

Under the bill, Democrats agreed to fix a mistake in the TCJA to allow for a quicker write-off period for qualified improvement property. “We’ve been wanting to fix that for two and a half years now, and our Democratic colleagues have never allowed us to do it,” Toomey said.

Democrats wanted concessions from Republicans to fix the mistake in the form of expanding refundable credits like the earned income tax credit or the child tax credit.

“We got that in this bill, and that is going to help speed the recovery when we get to that point because it will be more affordable from a tax point of view for businesses to make that expenditure,” Toomey said.

But support for the measure has always been bipartisan, as showcased by bills in the House and Senate that have received widespread support from both parties.

Under the bill, individuals making less than \$75,000 can still expect to receive a \$1,200 check, while those with children would get an extra \$500 per child.

The bill would also permit both itemizers and non-itemizers to deduct up to \$300 of cash contributions to charity in 2020, according to a [section-by-section summary](#) of the bill. The objective is to encourage greater charitable giving during the pandemic.

Fred Stokeld contributed to this article.

[Sign up for a free trial](#) to access more material like this with no obligation for 21 days

[EXPLORE SUBSCRIPTIONS](#) Already a subscriber? [Sign in](#)
