

*Why the CARES Act is a good
deal for retailers, our
associates and our consumers*

Overview of NRF'S COVID-19 activities

- Hosting regular conversations with Administration officials and Members of Congress on industry priorities for economic relief.
- Activating 28,511 messages to Congress, sent by 14,284 advocates, to 96 Senate offices and 147 House offices.
- Pushing states to allow ALL retailers to continue operating that can follow CDC guidelines and serve customers safely (ecommerce, curbside pick-up, delivery).
- Launching a retail employment board with job opportunities for workers displaced by COVID-19.
- Benchmarking surveys with retail companies about their operations and workforce.

NRF's #1 goal was to ensure that the third COVID-19 fiscal stimulus package was large enough to cover the cascading economic damages that retailers are facing.

We advocated for maximum liquidity for all retailers, workforce supports, tax relief and consumer aid.

The CARES Act is a historic \$2 trillion-plus stimulus bill

- Expands access to credit for businesses of all sizes.
- Makes significant investments in COVID-19 research and health programs.
- Provides worker supports, direct payments to taxpayers and critical tax relief to retailers.

What provides liquidity

- Funding of federal credit facilities at unprecedented levels.
- Flexibility for the Treasury and the Fed to structure credit facilities for small, medium and large businesses.
- Hundreds of billions of dollars in loans and aid for small businesses.
- Business tax relief – QIP fix and NOL carryback.

Loan program and credit facility

- **\$500 billion** for loans and loan subsidies. Support for Federal Reserve credit facilities.
 - **\$454 billion** for loans, loan guarantees and investments for establishing facilities that support lending to eligible businesses, states or municipalities.
 - Federal Reserve will leverage the \$454 billion to provide up to **\$4.54 trillion** in financial support.
 - Conditions include a prohibition on stock buybacks, no dividends and limits on executive compensation during certain periods of time.
- Specific loan facility for businesses and nonprofits with 500 – 10,000 employees (conditions apply).
- No loan forgiveness available.

Business tax relief

- Correction of an error in the 2017 Tax Act regarding improvements made to stores and restaurants (QIP).
 - Permits retailers to write off the cost of improvements in the year incurred, instead of over 39 years.
 - QIP error locked up **\$10 - \$30 billion**, which will now be refunded providing immediate liquidity.
- Businesses allowed to carryback losses from 2018, 2019 and 2020 to previous 5 years and get refunds for taxes paid in profitable years (NOL).
 - Allows businesses to claim deductions for losses against prior-year profits.
 - Taxable income limitation removed to allow businesses to apply NOL to fully offset taxable income.
- Business interest deductions expanded so taxpayers can take interest deductions of up to **50%** of taxable income (previously 30%).

What positions consumers and workers for recovery

- Extended unemployment insurance benefits plus a **\$600** supplement.
- Employee retention tax credit and delayed collection of payroll taxes.
- Special Paycheck Protection Program that offers forgivable loans.
- Direct payments of **\$1200⁺** for individuals and families.

Expansion of unemployment insurance (UI)

- Additional **\$600 per week** for those receiving unemployment benefits through July 31, 2020.
- Federal extension of UI for an additional **13 weeks**, for a total of **39 weeks**.
- States who enter into agreements with the federal government are required to waive the 7-day waiting period for benefits.

Tax relief for payroll costs

- Employee retention tax credit to encourage employers to retain their workforce.
 - Provides a **50% payroll tax credit** for employers whose business has been suspended due to government mandates or have experienced a 50% decline in gross receipts.
 - Credit capped at \$10,000 in qualified wages per employee.
 - Applies to wages paid from March 12, 2020 – January 1, 2021.
- Payroll taxes due for 2020 delayed.
 - Pay 50% in 2021 and 50% in 2022.

Paycheck Protection Program

- Program offers forgivable loans – equal to 250% of monthly payroll – for small employers who retain a significant share of their workforce.
 - Provides **\$350 billion** for 100% federally-guaranteed loans for 8 weeks of assistance to small businesses and 501(c)(3) nonprofits.
 - Available to employers with under 500 employees, with exceptions per location for hotels and restaurants as well as franchising.
 - Maximum loan amount is capped at 2.5x monthly payroll costs, not to exceed \$10 million.

Direct payments

- **\$1,200** per individual (**\$2,400** joint return) plus **\$500** per child.
 - Available for incomes up to **\$75,000** for individuals and **\$150,000** for couples.

What's next?

The CARES Act is a critical step forward, but businesses still need more liquidity in these uncertain times. NRF continues to advocate for:

- Tariff relief to provide instant liquidity.
- Passage of a Pandemic Risk Insurance Act (PRIA).
- The creation of a Federal Business Interruption (BI) to support employee retention.
- Suspension of commercial rental payments (rent abatement).
- Expansion of federal food assistance programs to help the food insecure navigate additional challenges posed by the COVID-19 pandemic.
- Delay of the IRS tax filing and payment date for retailers that are fiscal year taxpayers to provide instant liquidity.