



March 18, 2020

Coronavirus Economic Update

As lawmakers continue negotiating the Phase Two and Phase Three economic stimulus packages, the Trump administration has further refined its own plan, which now includes extending the tax payment deadline and providing checks directly to Americans. This memo outlines the latest developments in Washington, and is updated daily with the most recent news up top.

What to Watch Today

- The Senate will vote on the Families First Coronavirus Response Act today.
- House Democrats hold a conference call to discuss the caucus's next steps in passing more stimulus measures.
- Senate Republicans are expected to finalize their economic stimulus package as soon as today before presenting it to Senate Democrats.
- The administration will ask Congress for an additional \$48 billion in spending authority today.
- Treasury Department releases Phase Three key terms.
- President Trump meets with airline executives and health care professionals.
- President Trump and Vice President Pence participate in Business Roundtable teleconference at 10:45 a.m.
- White House Coronavirus Task Force press briefing at 11:30 a.m.

Latest Developments

Congress

- Treasury Secretary Steven Mnuchin met with Senate Republicans to discuss the administration's new proposals and the legislation moving through Congress.
- Reports originally suggested the Senate would combine the Phase Two and Phase Three proposals into one package in order to expedite Senate consideration.
 - Senate Majority Leader Mitch McConnell (R-KY) decided to vote on the Families First Coronavirus Response Act before drafting the Senate's Phase Three proposal.
 - McConnell said the Senate will not adjourn until Phase Three is complete.
 - Senate Democrats released a coronavirus stimulus package.
 - Speaker Nancy Pelosi (D-CA) said the House Phase Three package will contain long-term sick leave policies. She also wants to look at refundable tax credits.
 - House Appropriations Committee Chair Nita Lowey (D-NY) is working on Phase Three legislation.

- Rumors are spreading that the House could vote on Phase Three legislation next week, followed by Phase Four negotiations.

Trump Administration

- Treasury Secretary Steven Mnuchin announced a 90-day tax deferral of tax payments for individuals and corporations and said the administration would like to provide directly payments to individuals.
 - [CORRECTION: We incorrectly reported the filing deadline would be extended.]
 - The Trump administration is preparing to float a \$1 trillion plan.

Private Sector

- Club for Growth issues proposal for lawmakers.
- Americans for Prosperity released guidelines for additional relief.

Congress

The *Families First Coronavirus Response Act* (H.R.6201)

On March 16, the House adopted by unanimous consent, H.Res.904—a measure to make technical corrections to the *Families First Coronavirus Response Act* (H.R.6201).

[Click here](#) for a thorough analysis of the measure as passed by the House.

Senate Consideration

On March 16, the House passed the *Families First Coronavirus Response Act*. The Senate has now started its consideration of the package. Prior to the passage of the technical corrections package by the House, reports indicated that Senate Republicans would insist on amending the House-passed legislation, further delaying enactment. Although a few Republican holdouts still remain, the measure now looks like it will pass the Senate this week.

Read about Senate GOP objections to the *Families First Coronavirus Response Act* [here](#).

The status of the package in the Senate evolved rapidly. On the morning of March 17, reports suggest the Senate would seek to attach the chamber's Phase Three package to the *Families First Coronavirus Response Act* and send the expanded legislation back to the House.

As of this writing, however, Senate Majority Leader Mitch McConnell (R-KY) dispelled the idea of a combined package. McConnell has indicated the Senate will instead be voting on the *Families First Coronavirus Response Act* before beginning to draft a Phase Three package. More information on the Senate's Phase Three approach is below.

Phase Three Negotiations

Senate

Following his decision to begin developing Phase Three legislation after moving to approve the *Families First Coronavirus Response Act*, Senate Majority Leader Mitch McConnell (R-KY) announced he would be establishing three task forces to focus on the drafting of the bill. The task forces will be comprised of members from the Senate Finance; Homeland Security; Health, Education, Labor and Pensions and Appropriations Committees. The three task forces named so far include:

- **Small business liquidity:** Sen. Marco Rubio (R-FL) for small business issues and Sen. Mike Crapo (R-ID) for banking issues.

- **Financial assistance to individuals:** Sen. Chuck Grassley (R-IA), chair of the Senate Finance Committee
- **Airlines assistance:** Led by Sen. Roger Wicker (R-MI), chair of the Senate Commerce Committee.

Rubio said that his Senate taskforce is developing the following plan to address small business liquidity issues:

- Give every small business in America with 500 workers or less cash to make payroll for 6 weeks that does not have to be paid back.
- Use over 800 banks including the big 5, with an average turnaround of 36 hours on applications.

McConnell said Senate Republicans are working at “warp speed” to draft Phase Three legislation, adding that the informal task forces could present their proposals to the Senate Republican caucus as early as March 18. According to Senate Majority Whip John Thune (R-SD), there is growing support from Senate Republicans around a proposal to send two installments of \$1,000 directly to individuals.

Until now, McConnell has remained on the sidelines during the economic stimulus negotiations that were led by Speaker Nancy Pelosi (D-CA) and Treasury Secretary Steven Mnuchin and has yet to explicitly indicate which provisions he would like see included in the bill. He announced on March 17 that the Senate would not adjourn until the work on Phase Three has been completed.

House

Even before the House approved technical corrections to the Families First Coronavirus Response Act, Speaker Nancy Pelosi (D-CA) and Treasury Secretary Steven Mnuchin were already engaged in negotiations on the third phase of the economic stimulus response. According to Pelosi, Phase Three legislation is expected to include provisions that provide affected workers long-term access to family and medical leave. A press report released by Pelosi **revealed** additional objectives she hopes to secure in the third package, including:

- Expanding the scope of family and medical leave;
- Adjusting refundable tax credits for self-employed workers and those in the gig economy; and
- Ensuring first responders and healthcare workers have access to paid leave.

In addition, House Appropriations Committee Chair Nita Lowey (D-NY) has begun receiving input on a Phase Three package of her own. Few details are known about Lowey’s effort.

According to congressional aides, the House could vote on a Phase Three deal as soon as next week. The Brownstein Tax Policy Group is also hearing rumors that lawmakers may pursue a fourth package, although details remain scarce at this time.

Other Congressional Proposals

Senate Democrats, led by Senate Minority Leader Chuck Schumer (D-NY), unveiled a proposal on March 17 in response to the coronavirus outbreak. According to a PowerPoint presentation of the plan, Senate Democrats are proposing a response plan of \$750 billion. Below is a breakdown of the Senate Democrats’ proposals.

- **Emergency Response Programs (\$400 Billion).** This would include appropriations for:
 - hospital supplies like beds, ventilators masks and other equipment;
 - federal injections to support child care costs for those affected or those responding to the outbreak;
 - low-interest loans and loan forgiveness;
 - financial assistance for seniors;
 - public housing assistance;
 - school meals;public transportation;
 - state and local relief, including as Community Development Block Grants, Economic Development

- Administration Grants and FIRE Grants; and
- broadband infrastructure.
- **Social Safety Net Support (\$350 Billion).** This would include appropriations for:
 - Unemployment insurance to increase the benefit size, waive the waiting period, provide a 13-week extension for current enrollees expand work-sharing eligibility and provide automatic extensions throughout a recession;
 - increase state Federal Medical Assistance Percentages and provide automatic extensions throughout a recession; and
 - cancel monthly student debt payments.

The proposal also outlines a number of policy changes to help those affected by the global pandemic. It suggests providing six months of forbearance for all federally backed mortgages and moratoriums on all evictions and foreclosures. The package would also expand Unemployment Insurance to accomplish the following:

- Expand coverage for paid sick days;
- Provide coverage for gig workers and the self-employed;
- Remote learning;
- Credit Score protections;
- Buy America requirements ; and
- Protecting prisons from the coronavirus.

The proposal would require that workers, as opposed to businesses, receive a majority of the benefits or else they would be clawed back by the government. Finally, it would require businesses to pay a \$15 minimum wage “for all direct employees.”

For other congressional proposals under consideration, [click here](#).

Trump Administration

The Administration’s Plan

Treasury Secretary Steven Mnuchin outlined during a March 17 White House Coronavirus Task Force press briefing the administration’s latest plans to combat the economic decline caused by the coronavirus. Together, the administration’s proposals total between \$1 trillion and \$1.2 trillion.

Mnuchin announced during the press conference that President Trump had approved a 90-day extension of the April 15 tax payment deadline, subject to the following deferral limitations, which will be interest- and penalty-free:

- Individuals can defer up to \$1 million; and
- Corporations can defer up to \$10 million.

Mnuchin explained this step, which aligns with measures other countries have taken in response to the global pandemic, would result in \$300 billion in payment deferrals—up from the administration’s original plan of \$200 billion in deferrals. The filing deadlines still remain in place. Americans who are expecting refunds are encouraged to still file early or by the filing deadline so they can receive their refund quickly. Many Americans are still expected to opt for filing an extensions.

Mnuchin also announced during the press briefing that the administration is looking to provide individuals financial assistance as quickly as possible. To this end, he said the administration is “looking at sending checks to Americans immediately,” clarifying that he would like to accomplish this within two weeks. The idea, which has been long

opposed by Republican lawmakers, has received widespread support from lawmakers in both parties in the midst of the coronavirus outbreak. With enthusiastic support from the administration and many on Capitol Hill, the proposal, which could cost the federal government close to \$500 billion, looks as though it might be enacted.

The sense of urgency caused Mnuchin to more explicitly oppose President Trump's insistence on a payroll tax holiday during the press briefing, saying in front of the president that the approach would counteract the economic effects of the coronavirus too slowly. President Trump, who has strongly advocated for a payroll tax holiday through the November 2020 elections, appeared to agree with Mnuchin that such a move would not provide individuals financial relief quickly enough.

Later in the day, Mnuchin attended a lunch with Senate Republicans where he suggested providing up to \$250 billion in small business loans. During the meeting, Mnuchin also reportedly warned senators that the unemployment rate in the United States could rise to 20% due to the outbreak.

Additional Funding Request

According to a letter from Office of Management and Budget Director Russell Vought to Vice President Pence, the administration plans to request an additional \$45.8 billion in emergency response appropriations.

The request includes \$241 million for the Internal Revenue Service so it can adapt to the extended filing season, provide information and service related to the new tax credits, implement the new paid leave credit and increase the agency's information technology related to the coronavirus.

Treasury Releases Phase Three Key Terms

The Treasury Department released a set of "key terms" for Stage Three negotiations. More detailed analysis from the Brownstein Tax Policy Group is forthcoming. An outline of the proposal is below:

- Appropriation to the Exchange Stabilization Fund for Specified Uses
 - Airline Industry Secured Lending Facility (\$50 billion)
 - Other Severely Distressed Sectors of the U.S. Economy (\$150 billion)
 - Loans and loan guarantees
- Temporarily Permit Use of the Exchange Stabilization Fund to Guarantee Money Market Mutual Funds
- Economic Impact Payments
 - \$250 billion by April 6
 - \$250 billion by May 18
- Small Business Interruption Loans (\$300 billion)
 - For employers with fewer than 500 workers
 - Loan amounts: 100% of 6 weeks of payroll, capped at \$1540 per week per employee

Classified Response Plan

The New York Times [reported](#) on March 17 that according to a classified 100-page federal government plan dated March 13, the administration is anticipating the pandemic "will last 18 months or longer." The document left the door open for "multiple waves" that would affect the U.S. economy. According to the article, the document includes a response plan that would involve a number of federal agencies and would even provide President Trump with special authorities to spur action from the private sector. This includes the Defense Production Act, which would allow the president to direct private sector production of equipment necessary to combat the coronavirus. The Times reported that the plan warned that "shortages of products may occur, impacting health care, emergency services, and other elements of critical infrastructure." The article continued: "This includes potentially critical shortages of diagnostics,

medical supplies (including PPE [personal protective equipment] and pharmaceuticals), and staffing in some locations.”

For more on the Trump administration’s approach, [click here](#).

Private Sector

Club for Growth

The Club for Growth, a conservative think tank founded by Trump economic confidant Stephen Moore, [published](#) a set of economic policies for the Senate’s consideration. Some of the suggestions are summarized below.

- The group advised against government bailouts, suggesting the government instead provide voluntary loans to businesses.
- The group said workers who become unemployed as a result of the coronavirus should be given \$1,000 every week through the unemployment insurance system.
- The group suggested Congress avoid imposing mandatory paid leave policies on small businesses.
- The group advocated for a payroll tax holiday through June 15, 2020.

Americans for Prosperity

Americans for Prosperity sent a [letter](#) to House and Senate leadership suggesting additional measures. In the letter, the group expresses its concern over recent calls for certain “bailouts” of industries that are tangentially impacted by the coronavirus. They provide three additional concrete recommendations related to any fiscal response considered by Congress. They suggest the package be:

- temporary;
- limited in scope; and
- fiscally responsible.

Other Private Sector Positions

For additional perspectives from the U.S. Chamber of Commerce and airline representatives, [click here](#).

For additional information or assistance with a particular issue, please contact a member of the Brownstein Tax Policy Group.

[Click here](#) to read more Brownstein alerts on the legal issues the coronavirus threat raises for businesses.

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