



March 24, 2020

Coronavirus Economic Update, March 24, 2020

As the U.S. economy grinds to a halt, the Senate's Phase Three negotiations have continued past the Republicans' self-imposed deadline. In the meantime, House Democrats have unveiled Phase Three legislation of their own, threatening to reconvene and vote on the measure if the Senate fails to act quickly. This memo outlines the latest developments in Washington, and is updated daily with the most recent news on top.

What to Watch Today

- Lawmakers will continue negotiations on Phase Three legislation.
- President Trump participates in a virtual town hall at 12:30 p.m.
- White House Coronavirus Task Force press briefing at 3:00 p.m.

Latest Developments

Congress

- Following a second failed cloture vote, the Senate continues negotiations on Phase Three legislation.
- House Democrats introduce the *Take Responsibility for Workers and Families Act*.
- Other congressional proposals:
 - House Financial Services Committee releases comprehensive legislation.
 - Senator pushes global tax reporting requirements for companies receiving financial aid.
 - Two House Democrats introduce student loan forgiveness legislation.

Trump Administration

- The administration is considering equity in exchange for financial aid.

Private Sector and Other Developments

- Uber seeks "third way" for its drivers.
 - Auto associations request assistance.
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Congress

Phase Three Senate Package

Following two failed cloture motions, which would have limited debate to another 30 hours, the Senate continues working around the clock to reach a final agreement on the *Coronavirus Aid, Relief and Economic Security (CARES) Act*. Although ongoing negotiations are likely to implement changes to the *CARES Act*, Brownstein has provided a summary and analysis for the following provisions in the discussion draft:

- Division A—Keeping Workers Paid and Employed, Health Care System Enhancements and Economic Stabilization
 - Title I—Keeping American Workers Employed and Paid Act
 - Title II—Assistance for American Workers, Families and Businesses
 - Subtitle A—Unemployment Insurance Provisions
 - Subtitle B—Rebates and Other Individual Provisions
 - Subtitle C—Business Provisions
 - Title III—Supporting America’s Health Care System in the Fight Against the Coronavirus
 - Subtitle C—Labor Provisions
 - Title IV—Economic Stabilization and Assistance to Severely Distressed Sectors of the U.S. Economy

For the full analysis, [click here](#).

Phase Three Senate Negotiations

On March 23, Senate negotiations stalled, as Republicans and Democrats were unable to reach an agreement on key provisions in the *Coronavirus Aid, Relief and Economic Security (CARES) Act*. Senate Republicans claim Democrats are using the stimulus package as an opportunity to attach non-germane legislative priorities to the package, including the imposition of airplane emissions standards and student loan debt forgiveness.

Senate Democrats argue that the *CARES Act* contains too many partisan provisions that benefit corporations, without measures to ensure that funds are not misused for stock buybacks or that companies will not fire workers after receiving the aid.

Phase Three House Discussions

Speaker Nancy Pelosi (D-CA) and House Democrats introduced the *Take Responsibility for Workers and Families Act* (H.R.6379) on March 23, the caucus’s \$2.5 trillion counteroffer to the Senate Republicans’ *Coronavirus Aid, Relief and Economic Stimulus (CARES) Act*. The legislation, which totals more than 1,400 pages, contains four overarching pillars, outlined below:

- **Businesses.** The bill places strict limits on companies receiving federal assistance, prohibiting them from using the funds for stock buybacks and increasing executive pay, provisions that have received support from Senate Republicans and President Trump. Additionally, the bill would prohibit companies receiving federal aid from engaging in lobbying activities until the financial aid had been repaid to the government, a provision absent from the *CARES Act*.

The bill would provide more than \$500 billion in grants and interest-free loans to small businesses adversely affected by the coronavirus. The related provision in the *CARES Act*, developed by Sens. Marco Rubio (R-FL) and Susan Collins (R-ME), would provide about \$300 billion.

Unlike the Senate Republican draft, the House legislation did not suspend corporate payroll tax obligations.

Similar to the *CARES Act*, the House bill would allow Net Operation Loss carrybacks for the previous five

years. However, unlike the Senate bill, the House legislation would not make a technical correction to the Qualified Improvement Property provision enacted under the *Tax Cuts and Jobs Act* (P.L.115-97).

The bill would also prohibit companies receiving assistance from firing workers during the coronavirus crisis, a position on which Senate Republican thinking is more nuanced. Although they share the sentiment that higher unemployment rates are something to avoid, Senate Republicans are more opposed to the creation of a new bureaucratic entity that would impose itself on the daily operations of companies by controlling their staffing decisions.

- **Frontline Workforce.** The bill provides \$100 billion to reimburse hospitals for expenses and lost revenues as a result of the coronavirus. The Senate Republicans' *CARES Act* provides around \$75 billion for this purpose.

The House legislation also includes a provision requiring the president to invoke the *Defense Production Act*, which provides the president authorities to compel private industry to produce equipment and materials necessary to combat the coronavirus outbreak. President Trump has signed an **Executive Order** to this effect, but claims he has not had to strong arm companies into action because they have volunteered to assist the effort to combat the coronavirus.

- **Families.** The bill would provide direct payments of \$1,500 for individuals—a proposal that shared bipartisan support on Capitol Hill. In fact, the *CARES Act* contains a provision that would provide individuals up to \$1,200, subject to certain limitations.

The bill would expand upon the Unemployment Insurance and medical and family leave provisions enacted under the *Families First Coronavirus Response Act*. It would also provide companies credit for providing family and sick leave beyond coronavirus-related reasons.

The bill would boost the Supplemental Nutrition Assistance Program (SNAP) and food banks by \$450 million, compared to the Senate Republicans' \$15.6 billion.

It would provide \$1.5 billion to help low-income families with water expenses, and it would prohibit utilities from discontinuing services for the duration of the crisis. There is no comparable provision in the *CARES Act*.

The House legislation would make some changes to retirement accounts, including suspending the required distribution for 2020 and removing the 10% penalty for early withdrawals.

The package would also enhance refundable tax credits like the Child Tax Credit and the Earned Income Tax Credit—a longtime priority for House Democrats that, under ordinary circumstances, congressional Republicans would oppose.

- **Students.** The bill would inject \$60 billion into the education system—\$50 billion for states to address school funding concerns, and another \$10 billion would be dedicated to helping schools “alleviate the harm caused by the coronavirus.”

The legislation includes some provisions that congressional Republicans claim are non-germane to combatting the economic effects of the coronavirus. These include an increase in funding for the National Endowment for the Arts, requiring federally assisted airlines to cut their emissions in half by 2050, expanding renewable energy tax credits and mandating certain employers provide workers a \$15 minimum wage.

The legislation includes other provisions targeted at airlines, which have been particularly affected by the coronavirus. It would provide the industry \$61 billion—\$40 billion in grants and \$21 in unsecured loans—\$3 billion more than the \$58 billion in the *CARES Act*.

While the Senate continues deliberations on its Phase Three legislation, Pelosi said on March 23 she is thinking of

calling the House back into session this week in order to vote on the *Take Responsibility for Workers and Families Act*. At the same time, she indicated that if the Senate is able to send legislation to the House quickly, that may influence the House's legislative activity. Additionally, the House Rules Committee has advised against remote voting, instead recommending proxy voting. This may change dynamics as well.

Other Congressional Proposals

- Financial Service Releases Legislation. Following the committee's comprehensive **framework** to address the economic decline spurred by the coronavirus, House Financial Services Committee Chair Maxine Waters (D-CA) introduced accompanying legislation, the ***Financial Protections and Assistance for America's Consumers, States, Businesses and Vulnerable Populations Act*** (H.R.6321), on March 23. Click [here](#) for more information on the measure.
- Global Tax Disclosure. Sen. Chris Van Hollen (D-MD) is advocating for legislation that would require companies receiving federal assistance to report information on the global taxes they pay.
- Student Debt Relief. On March 23, Reps. Ayanna Pressley (D-MA) and Ilhan Omar (D-MN) introduced the ***Student Debt Emergency Relief Act***. The legislation would cancel at least \$30,000 in student loan debt for each student, require that the Department of Education take on the monthly payments and prohibit involuntary collections for the duration of the coronavirus crisis.

Trump Administration

Equity Stakes in Exchange for Federal Aid

As part of its Phase Three negotiation tactics, the Trump administration is considering a provision that would exchange private sector equity for federal financial assistance. Treasury Secretary Steven Mnuchin said on March 23 the Trump administration is considering a move that would require companies receiving federal financial assistance to provide the government equity stakes, similar to actions taken by the Treasury Department amidst the 2008 financial crisis under the Troubled Asset Relief Program. Later that day, National Economic Council Director Larry Kudlow supported the consideration, saying that he liked "the taxpayer taking a piece of equity in these loans."

Private Sector

Uber

In a letter to President Trump, Uber requested that the administration advocate for provisions that would protect the independent workers operating through its organization. The letter requests the administration seek implementing a "third way" that would provide workers an alternative to the current forced option of being considered either an independent contractor or employee. Read the full letter [here](#).

Auto Associations

In a letter to congressional leadership, three auto trade associations urged lawmakers to consider a few provisions for inclusion in economic stimulus legislation, including credit facilitates to provide loans and loan guarantees, expanding expensing for equipment and machinery and delaying quarterly tax payment requirements. The letter was signed by the Alliance for Automotive Innovation, the National Automobile Dealers Association and the Motor and Equipment Manufacturers Association. Read the full letter [here](#).

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

Group.

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Rosemary Becchi

Strategic Advisor and Counsel
rbecchi@bhfs.com
202.383.4421

Annmarie Conboy-DePasquale

Policy Assistant
aconboy-depasquale@bhfs.com
202.216.4865

Lori Harju

Policy Director
lharju@bhfs.com
202.747.0519

Charlie A. Iovino

Senior Policy Advisor and Counsel
ciovino@bhfs.com
202.383.4424

Daniel Joseph

Policy Advisor
djoseph@bhfs.com
202.216.4864

Michael P. Marn

Policy Assistant
mmarn@bhfs.com
202.652.2355

Radha Mohan

Policy Advisor and Associate
rmohan@bhfs.com
202.383.4425

Sage Schaftel

Policy Assistant
sschaftel@bhfs.com
202.383.4716

Anne C. Starke

Policy Advisor and Associate
astarke@bhfs.com
202.872.5297

Russell W. Sullivan

Shareholder
rsullivan@bhfs.com
202.383.4423

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