March 27, 2020

House Passes the Phase III COVID-19 Relief Bill, On to the President For Signature

$2 TRILLION IN BIPARTISAN DEAL PASSES HOUSE; A LITTLE CONTROVERSY BRINGS MANY HOUSE MEMBERS BACK TO TOWN

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The $2.2 trillion Phase 3 Stimulus bill finally passed the House and is being sent to the President. The 880-page measure is the largest economic relief bill in U.S. history, The bill builds upon earlier versions of the CARES Act and is intended to be a third round of federal government support in the wake of the coronavirus public health crisis and associated economic fallout, succeeding the $8.3 billion in public health support passed two weeks ago and the Family First Coronavirus Response ACT. It is the product of negotiations between Democrats and Republicans for a bipartisan response to the crisis.

House leaders had hoped to pass the sweeping measure by a “voice vote” that would not require members to show up in person. Those who wanted to could come to the Capitol to speak in favor of or against the legislation.If they used a “voice vote,” members in quarantine or who simply did not want to travel would not have to do so. But Rep. Thomas Massie (R-Ky.) threatened to raise procedural objections that would require a majority of the House to be present to quash, and so on Thursday evening leadership in both parties began urging members who could do so to return to Washington in order to have the numbers to overcome whatever objection Massie might raise. For several hours after the House opened at 9 a.m. Massie sat in the back of the chamber without indicating how he planned to proceed -- even after President Trump unloaded on him over Twitter, calling him a “grandstander” who should be ejected from the Republican Party.

The House often passes bills by unanimous consent without a quorum. Not this time. As Massie made his intentions clear, lawmakers of both parties began filing into the House chamber and public galleries in order to be able to establish a quorum -- or a majority of the House, in this case 216 members because of a few absences -- while also trying to maintain social distancing.Some New Yorkers returned to Washington even though the federal government has said people from that state should quarantine for 14 days after leaving. His actions were widely criticized, so much so that even President Trump and former Secretary of State John Kerry agreed on something!

The House adjourned until next Tuesday, March 31 st. Schedule still remains fluid but they will begin working on the framework for Phase 4. Reminder – the Senate is in recess until April 20 th.

Next Steps: Congress is expected to convene after Easter to consider a Coronavirus Phase IV bill. Senate Appropriations Chairman Richard Shelby (R-Ala.) said several times he wants a major infrastructure package. And a fourth bill could tie up loose ends if any lawmakers are unhappy with the details of the “phase three” package, Sen. Roy Blunt (R-Mo.) said on the floor yesterday.

“I’d say the minute we’re done with phase three, we’ll start talking about phase four because all of us know that phase three can’t have included everything that needs to be included,” Blunt said.

Negotiators should keep in mind that they’ll have another major piece of legislation that could include their ideas, and that this “moment is more important than everybody winning everything they’d like to win,” Blunt added.

White House Legislative Director Eric Ueland agreed that another piece of legislation will likely be needed, and said negotiators would decided its content after they “see what is helping, what’s working, what needs to be facilitated and expanded, what needs to be redirected.”

Friends, as you read the bill please know our Coronavirus Response team at Michael Best is standing by to assist you with this and previous relief provided. We have a product outlining all new financial options being offered by the government to assist you through this crisis. Let us know if you need assistance.

On behalf of the team,

Denise Bode

Overview

- The CARES Act contains provisions that could directly provide a minimum of $2.742 trillion in near-term liquidity. The bill would also provide significant corporate tax relief that could be worth $100 billion or more, pushing the total amount of liquidity generated by the CARES Act alone to near $3 trillion.

- The key tax item is a five year net-operating loss (NOL) carryback for tax years 2018, 2019, and 2020. Through a technical fix, the NOL carryback is made available to pass-through businesses as well. The NOL carryback provides a refund from previously paid taxes. Such a refund would be particularly helpful in a year like 2020, when losses could be high.

- Treasury Secretary Steve Mnuchin said the CARES Act would facilitate up to $4 trillion in financing for U.S. business by leveraged lending from the Federal Reserve, backstopped by Treasury funding, as well as by Treasury loans and loan guarantees. The CARES Act is a big part of the Treasury story, but the CARES Act on its own provides impressive further liquidity from a combination of spending, tax deferral, tax relief, and small business lending.

The fiscal stimulus is MUCH LARGER than the bill introduced by Senate Republicans last week.

The COVID-19 response bill final text now before the U.S. Senate could have a total direct price tag of over $2 trillion, providing a tidal wave of liquidity to support an economy in crisis. (note this bill linked is not the final, final version of the bill which will be provided when they get agreement on unemployment benefits).

The CARES Act is more about financial stabilization than fiscal stimulus, but it would create a torrent of liquidity pouring dollars into the economy through direct payments, tax credits, tax deferrals, loans, and loan guarantees. As Senate Majority Leader Mitch McConnell (R-KY) stated on the Senate floor this morning, "The $2 [or $3] trillion package that Congress is expected to pass this week should be thought of as 'emergency relief' and not a 'stimulus' measure."

Also with financial stabilization in mind, the CARES Act gives the Treasury Department new authority to support the Federal Reserve's 13(3) lending program, and it grants apparently unlimited powers for the FDIC to guarantee the debt of insured depository institutions and non-interest bearing transaction accounts. The CARES Act also would suspend the CECL accounting standard, which banks have said would hamper lending during a crisis. All of this points to increased lending, and a safety net for depositors and creditors beneath the institutions doing the lending.

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