

Client Alert – Updated Friday, March 27, 2020

## Washington’s Historic \$2 Trillion Economic Stimulus Bill

What’s in, what’s not & what’s next as the U.S. works to counter Coronavirus Crisis

Congress has passed the **largest economic stimulus bill in U.S. history** to provide American businesses and workers emergency help to weather the Coronavirus Crisis, at least for a couple of months. The bill was approved 96-0 by the Senate Wednesday and by the House on Friday. The measure includes approximately \$2.2 trillion in emergency aid, adding to a \$4 trillion infusion by the Federal Reserve and two previous bills by Congress that provided more than \$100 billion for paid and sick leave, increased unemployment insurance and other types of financial support for lower-income Americans affected by the COVID-19 outbreak.

With the new measure approved, the U.S. government has now spent more than \$6 trillion to prop up the country’s \$19 trillion economy. The outlay from Congress alone is nearly three times larger than what Washington provided to get the U.S. through the 2008 financial crisis.

Congressional leaders believe more emergency funding will follow in the coming months. Advocacy groups for different sectors will pressure them to do more.

### What’s in the bill?

The bill is the first meant to help sectors of the economy hit hard by closures and travel restrictions ordered to limit the spread of COVID-19. This includes airlines and small businesses.

The centerpiece of the bill is a \$500 billion fund that will allow the Treasury Department to lend money to corporations hurting because of the pandemic. Of that amount, airlines will receive almost \$60 billion and firms considered important for U.S. national security – which could include major manufacturers – will get nearly \$20 billion.

The legislation includes an “employee retention” tax credit to help companies keep employees on payroll and cover 50 percent of their paychecks. Companies would also be allowed to defer payment of the 6.2 percent Social Security payroll tax.

In addition, the bill provides:

- Nearly \$370 billion in loans for small businesses
- \$150 billion for state and local governments
- \$130 billion for hospitals
- \$50 billion for farmers, ranchers and other agricultural interests
- Direct payments to most Americans. Individuals making up to \$75,000 per year will get a check for \$1,200, while couples making up to \$150,000 would receive \$2,400 and \$500 per child.
- Up to four months of unemployment for workers who lose their job due to the coronavirus

The legislation also eases tax deadlines and rules governing various financial transactions. For example, companies can temporarily increase the amount of interest on business expenses that they can deduct on their tax returns. The bill allows up to 50 percent of taxable income expensed, a boost from the standard 30 percent limit.

Companies can also postpone their estimated tax payments due after the date of enactment until October 15, 2020. And Americans who need to withdraw money from their retirement savings accounts can take out up to \$100,000 for “coronavirus-related purposes.”

### **What was left out of the measure?**

While the bill provides an unprecedented amount of money, it does not include aid for every sector requesting support from the government. Many companies will get a piece of the funding Treasury will control, but which of these do will not be clear for some time. In the coming days and weeks, companies and their boosters in Congress will call for new legislation that helps industries that did not obtain the amount of aid they believe will be necessary to get through the crisis.

### **What's next?**

This won't be the last bill by Congress to help the economy get through the crisis. Many industries have been lobbying for financial support, including business groups and other organizations that have never before requested aid from Washington. Those who did not get the help they wanted in the current bill will continue to push for it. In the coming days, companies and their boosters in Congress will begin developing that additional legislation.

House Speaker Nancy Pelosi has referred to the first two stimulus bills (referred to by some as "Phase 1" and "Phase 2") as emergency response measures and the more than \$2 trillion bill ("Phase 3") as "mitigation." Next up is legislation to help with recovery from the crisis, she says.

"Now we're mitigating for the damage of it all to the health and to the livelihood of the American people," Pelosi said. "That is in this [Phase 3] bill. And then we will go forward [with new legislation] for recovery. Emergency, mitigation, recovery."

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