# House Select Committee on COVID-19

ECONOMIC SUPPORT WORKING GROUP

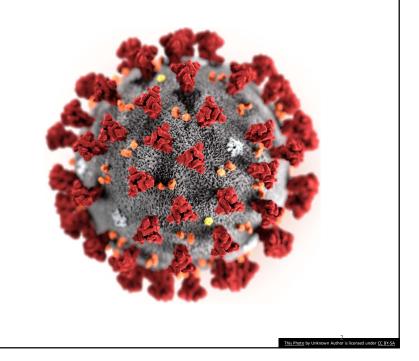
MARCH 25, 2020

11:00 AM

ROOM 1228 AND WEBEX VIDEO CONFERENCING



- Federal Governmental Actions and Responses Evolving
- Tax Deadline Extensions
- General Fund Revenue Implications
- Small Business Loan Programs
- Unemployment Insurance Benefits



# Federal Responses and State Fiscal Implications

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# Federal Actions

POTUS issued an Emergency Declaration

- IRS postponed filing and payment of income taxes until July 15, 2020
- USDOL announced new guidance on UI flexibilities

Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020

Families First Coronavirus Response Act

- Division D, Unemployment Benefits
  - · Appropriated additional administrative funding
  - Part of increased funding dependent upon state easing eligibility requirements and access to unemployment benefits to workers impacted by COVID-19
- · Division G, Tax Credits for Paid Sick and Paid Family and Medical Leave
  - Will need to update IRC Code reference date
  - Deduction to ensure credit amount not taxed at State level

## Third Coronavirus Relief Legislation

#### S.3548

Coronavirus Aid, Relief, and Economic Security Act

#### **CARES Act**

- News reports agreement reached
- Details have not been released
- \$2 trillion package
- Includes tax provisions, loan and grant provisions, and unemployment benefit provisions

#### **Unemployment Benefits**

- Will it expand eligibility?
- Will it provide greater benefits?

Tax Relief for Individuals, Families, and Businesses

- Rebates as credit on 2020 income tax return
- Nonitemizer charitable deduction
- Expansion of charitable contribution deduction
- Delay of estimated tax payments
- Delays portion of employer payroll taxes
- Loosens restrictions for deductions of business net operating losses incurred in 2018, 2019, and 2020, including 5-year carry-back provision
- · Loosens restrictions on interest income deduction for large corporations

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### Tax Filing Deadlines Extended 90 Days Applies to individual and corporate income tax and franchise tax G.S. 105-249.2(b) Allows Secretary to waive penalties, but not interest · Waiving the interest payments will have a minimal impact on when taxpayers choose to file DOR - FAQ for Relief Offered in Response to COVID-19 Balanced budget requirement Article III, Sec. 5(3) of the North Carolina Constitution · Cash flow and revenue impacts must be considered Cash flow impact • Tax filing extension could shift as much as \$1.5 to \$2 billion of revenue from FY 2019-20 into FY 2020-21 • Estimated tax filing extension could shift another \$300 to \$500 million of revenue from one FY to the next **Revenue** impacts 6

# Small Business Loan Overview

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## Small Business Loans: Federal Resources

Federal Small Business Administration (SBA)

All 100 counties in North Carolina under SBA disaster declaration

Small businesses can apply for Economic Injury Disaster Loans

Maximum \$2 million

Interest rate: 3.75% (2.75% for non-profits)

Long-term repayments

More info: https://www.sba.gov/disaster-assistance/coronavirus-covid-19

### Small Business Loans: Nonprofit/State Resources

Rapid Recovery Loan Program

- Zero-interest loans for up to six months, up to \$50,000
- Funding: \$15 million by Golden LEAF
- Nonprofit lending partners
- More info available here: <u>https://ncrapidrecovery.org/</u>

Business Link North Carolina (BLNC)

- Call-in for small business information and assistance
- Monday-Friday, 8:30am 4:00pm, (800) 228-8443

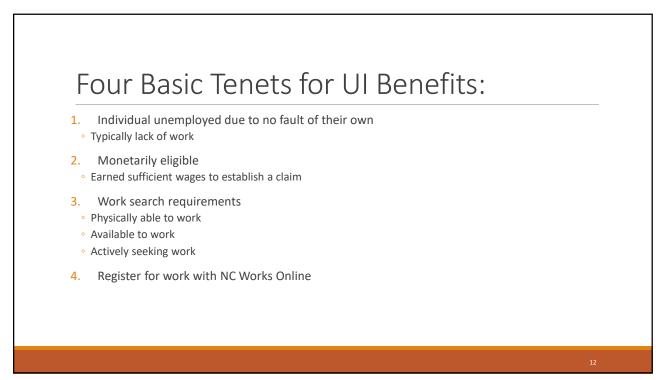
Small Business Technology and Development Center (SBTDC)

- Remote counseling, SBA application assistance
- More info available here: <u>http://www.sbtdc.org/</u>



## Basic Requirements for Receiving UI Benefits and COVID-19 Eligibility Flexibility

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## **UI Benefits Generally**

Benefits not paid by virtue of being unemployed

Employee must qualify for UI benefits

Common reasons for disqualification

- Exhaustion of benefits within one year
- Insufficient wages (must have wages in at least two quarters of base period)
- Leaving work for a reason other than good cause attributable to the employer
- Misconduct

UI System pays one-half employee's lost wages for 12 weeks

- Maximum amount of \$350
- Weekly duration varies with unemployment rate determined twice a year

Partial benefit allowed for partial unemployment (reduced hours)

- UI benefits reduced by earnings after an allowance
- Allowance is equal to 20% of UI benefit

Requirement	Current Law	Status after EO 118	-
Waiting Week	Employees must be unemployed for a full week before eligible for benefits	Waived by EO 118	EO118:
Able and Available to Work	Employee must be physically able and available to work	Interpreted to allow benefits even if COVID prevents working	COVID-19
Actively Seeking Work (Work Search)	Employee must actively search for work and make 3 job contacts per week	Waived	UI
Definition of Partial Unemployment	Employee who still has a job qualifies if employee worked less than 3 days and is monetarily eligible	Waived number of days worked requirement. Employee must still be monetarily eligible	Flexibility
Attached Claims	Employers cannot file a claim on behalf of an employee (exception exists for claims paid by certain employers and not trust fund)	N/A – current law Division of Employment Security (DES) must confirm each employee's claim with each employer.	

## Bill Draft: COVID-19 Response Act Provides Temporary Flexibility

Eliminates the one week waiting period

Eliminates the work search requirements

Does not charge employer accounts

Benefits allowed for partial unemployment

Eliminates in-person interviews

Allows employer to file claims on behalf of employees

- "Attached claim"
- Easier to administer

Eliminates the first quarter employer payroll tax

- Due May 1
- ~ \$200 million

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