



CARES Act Implementation & Legislative Priorities For Future COVID-19 Response & Recovery Legislation

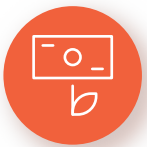
Congress passed the CARES Act in response to the unprecedented public health and economic crisis posed by COVID-19. The CARES Act provides significant economic relief for America's families and businesses, including nontraditional income earners, sole proprietors, independent contractors, and other micro-business owners in the form of the pandemic unemployment assistance (PUA) and small business loans from the Small Business Administration (SBA).

However, improvements can be made to the CARES Act, including amendments and technical corrections, to expand the eligibility of workers who qualify and to ensure the PUA fund reaches those it was intended to help, as well as amendments and corrections that make it easier to access small business loans and qualify for loan forgiveness. Additionally, future legislation should provide additional tax relief to nontraditional income earners and flexibility to the state and localities receiving funding from the CARES Act to adopt plans that boost their economies.

Internet Association (IA) and its member companies identified several technical corrections to improve the CARES Act as well as additional legislation to help assist all American workers impacted by the COVID-19 pandemic.

CARES Act Implementation

Designate More Small-Dollar Loans:



While Congress has taken historic steps to expand SBA eligibility to nontraditional income earners, the reality is that these individuals are not able to access Paycheck Protection Program (PPP) funding. The lending process favors "larger" small businesses with pre-existing lender relationships with banks at the expense of nontraditional borrowers such as independent contractors.

Congress can fix this problem by designating a certain amount of SBA PPP funds be allocated to smaller dollar loans, such as those under \$100,000, for borrowers who are being overlooked by current lenders.

PUA Clarifications:



With the large number of PUA claims over the last few weeks and the number of small businesses impacted and applying for loans and grants, the funds made available under the CARES Act have largely been exhausted. IA wants to ensure that nontraditional income earners—including sole proprietors, independent contractors, and other micro-business owners—that may take longer to apply for and participate in the federal programs still have access to these funds. Clarifications are needed on the following:

- Under "criteria for assistance" in CARES Act, establish additional criteria to provide that a person will qualify for PUA if income from self-employment or a sole proprietorship has been paused or substantially affected because of the pandemic (even if the business might remain technically "open").
- Under "amount of assistance" in CARES Act, allow applicants to submit alternative documentation to show a COVID-19-related decline in earnings, including but not limited to, Form 1099-Ks, net earnings statements from "third payment settlement organizations" (within the meaning of Section 6050W of Title 26, Code of Federal Regulations), and/or simple documentation.



Small Business Relief Clarifications:



The CARES Act recognizes that Americans earn money in many unique ways—beyond a traditional paycheck from an employer—and that relief should benefit all Americans who have lost work and income during the economic crisis. However, states need additional guidance to deliver those funds. Clarifications are needed on the following:

- Under “considerations” in CARES Act, lenders should exempt sole proprietors from having to certify that they “had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC” or “documentation verifying the number of full-time equivalent employees on payroll.”
- Under “loan forgiveness” in CARES Act, clarify that sole proprietors without payroll qualify for forgiveness.
- Under “loan forgiveness” in CARES Act, clarify that applicants are allowed to choose the eight week period that will be used to calculate prospective loan forgiveness.

More Flexibility With SBA Loans:



Although the CARES Act provides assistance to nontraditional income earners—including small businesses, sole proprietors, and microbusinesses—there are restrictions on how the funds can be used. Given the unprecedented circumstances, more flexibility is needed to ease the restrictions on how these SBA loans are used, including:

- Requiring the SBA to allow nontraditional income earners that are closed or have very few customers compared to 2019 to use loan proceeds on payroll, rent, utilities, and debt obligations, regardless of the percentage.
- Requiring the SBA to allow full loan forgiveness on any amount used to cover eligible payroll and non-payroll expenses.

Expand The Paycheck Protection Program (PPP) & Economic Injury Disaster Loans (EIDL):



The CARES Act recognizes that as a result of stay-at-home orders and other safety measures implemented across the states and federally, all workers, including those making money through the internet, may face a sudden lack of demand for their services. Whether someone is a traditional employee or an on-demand worker, the financial hardships they face in the wake of this pandemic are similar, and the CARES Act recognizes that all workers need financial and economic relief.

Congress should continue to provide adequate funding for the PPP and EIDL programs to ensure nontraditional income earners can benefit from them. This increase should also ensure that these workers— which include sole proprietors, independent contractors, and other micro-business owners—are eligible for additional small business programs such as the State Small Business Credit Initiative.



Legislative Priorities For Future Legislation

As Congress continues to expand the relief provided to the American public and attempts to be more inclusive of work arrangements in the modern economy, it is critical to include the following in future response and recovery legislation:

Tax Relief

Earned Income Tax Credit (EITC):

The EITC is an important source of income protection, and because it is not administered through payroll, it already works equally well for on-demand workers and nontraditional income earners. Congress should expand EITC by increasing the income threshold, including younger and childless workers, and eliminating the marriage penalty. Lawmakers should also allow the EITC to be calculated and administered on a quarterly basis, which would better support individuals struggling to manage short-term income volatility.

Establish A Transferable Tax Credit:

Transferable tax credits would allow nontraditional income workers to claim these credits against taxes arising on taxable income earned through short-term rental activity or other travel industry solo-entrepreneurship.

Expanding Relief To A Broader Class Of Workers

Safe Harbor Provision For Sharing Economy Companies:

A safe harbor provision should be included in future stimulus packages to allow sharing economy companies to provide direct financial support to their independent contractors without reclassifying these workers as employees.

Disaster Relief For Self Employed Individuals:

Many of the government's disaster relief programs simply do not work for the self-employed. Congress should appropriate funds for a Self-Employment Assistance Fund within the Economic Development Administration's (EDA) Economic Adjustment Assistance and SBA's Disaster Relief Loan programs, and require these agencies to quickly issue guidance enabling the self-employed individuals to access these programs.

State & Local Support

The CARES Act provides \$150 billion to state and local governments for COVID-19 relief efforts. However, more should be done to not only support those critical efforts, but to give state and local governments the flexibility they need to adopt recovery plans that boost their local economies. To that end, additional funding for state and local governments that can be used for economic development efforts, including state and local tax holidays to boost tourism or other economic activity, are essential. IA recommends:

- An introduction of a tax credit to claim against tax arising on taxable income earned through short-term rentals or by other nontraditional travel and tourism-related incomes.
- An increase in allowable deductions or tax deferral from taxable income (1099) earned through short-term rentals or other nontraditional travel and tourism-related incomes.

About Internet Association

Internet Association represents over 40 of the world's leading internet companies. IA's mission is to foster innovation, promote economic growth, and empower people through the free and open internet. For more information, visit www.internetassociation.org