

# House Select Committee on COVID-19

ECONOMIC SUPPORT  
WORKING GROUP  
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WEBEX VIDEO  
CONFERENCING

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## Issues for Today

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



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# Federal Responses and State Fiscal Implications

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## Federal Actions

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### 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

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## 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

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# Small Business Loan Overview

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## Small Business Loans: Federal Resources

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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>

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## Small Business Loans: Nonprofit/State Resources

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### 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: <https://ncrapidrecovery.org/>

### 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: <http://www.sbtcdc.org/>

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## Small Business Loans: Disaster History

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### S.L. 2016-124 (Hurricane Matthew)

- \$5 million appropriation to Golden LEAF for small business loans

### S.L. 2018-136/S.L. 2018-138 (Hurricanes Florence/Dorian)

- \$10 million total appropriation to Golden LEAF for small business loans

### Program implementation

- Golden LEAF awarded grants to nonprofit lenders
- Long-term loans
- Higher interest rates than SBA
- Eligible loan uses same as SBA loans

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

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## Four Basic Tenets for UI Benefits:

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1. Individual unemployed due to no fault of their own
  - Typically lack of work
2. Monetarily eligible
  - Earned sufficient wages to establish a claim
3. Work search requirements
  - Physically able to work
  - Available to work
  - Actively seeking work
4. Register for work with NC Works Online

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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
<b>Waiting Week</b>	Employees must be unemployed for a full week before eligible for benefits	Waived by EO 118
<b>Able and Available to Work</b>	Employee must be physically able and available to work	Interpreted to allow benefits even if COVID prevents working
<b>Actively Seeking Work (Work Search)</b>	Employee must actively search for work and make 3 job contacts per week	Waived
<b>Definition of Partial Unemployment</b>	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
<b>Attached Claims</b>	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.

## EO118: COVID-19 UI Flexibility

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

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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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## Update on UI Claims

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