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# The HEROES We Need, Not the HEROES We Deserve

## COVID-19 Resource

With the House passing the fifth COVID-19 relief bill by a bare nine-vote margin, the Health and Economic Recovery Omnibus Emergency Solutions (**HEROES**) Act, weighing in at more than 1,800 pages and \$3 trillion, has kicked off a discussion about the latest, and largest, in a series of legislative actions designed to tackle, or at least mildly inconvenience, the economic turmoil wrought by the COVID-19 crisis.

Despite its [size](#) (both in pages and dollars), House Democrats crafted a bill that promises to be significantly pared back (or at least altered) before it stands any chance of becoming law. The White House described the HEROES Act as an “[ideological wishlist](#),” and Senate Majority Leader Mitch McConnell, through whom any new stimulus bill must pass, called it “totally unserious” and a “seasonal catalog of left-wing oddities.” From the left, the Congressional Progressive Caucus has indicated [concerns](#) that the HEROES Act does not go far enough, particularly with respect to aid for small businesses. So bipartisanship has given way, at least temporarily, to election year politics.

Although we thought HEROES would be DOA in light of the partisanship — and policy — divisions in D.C., Federal Reserve Chair Jerome Powell told Congress (and the world) last week that the recovery was “highly uncertain,” and that our country needed some sort of additional stimulus or we risked a longer recession and a weaker recovery. Chairman Powell even suggested that the first three trillion of stimulus investment might be squandered if gains were not supported by additional stimulus. Chairman Powell has tried hard to maintain central bank independence in the face of administration pressure over the past two years. As such, his warnings about the limits of the Fed’s powers to avert a deeper recession via

monetary policy only may be harder to ignore. Accordingly, we believe the HEROES Act is best viewed as the House Democrats' opening position in negotiations over what form the next round of stimulus will take.

Whatever your thoughts on the necessary scope of the next stimulus, the HEROES Act could charitably be described as "rangy." Even a [helpful summary](#) of the Act provided by House Democrats clocks in at 90 pages. The remainder of this article provides an overview of some of the key provisions of the HEROES Act to help readers understand the opening salvo in the coming engagement.

## **Appropriations**

The Act provides for additional appropriations for various federal agencies to respond to COVID-19. The Act further grants around \$1 trillion to state, local, tribal and U.S. territory governments to assist with COVID-19 fallout generally, and includes allocations targeting distressed homeowners, education, upcoming elections, access to broadband and the U.S. Postal Service.

## **Taxes**

The Act increases amounts of, and broadens eligibility for, a number of common tax credits, including the Child Tax Credit and Earned Income Tax Credit, eliminates the [\\$10,000 cap](#) placed on State and Local Tax deductions by the Tax Cuts and Jobs Act of 2017, increases the per-employee limit for the [Employee Retention Credit](#), creates a refundable employment tax credit for businesses that have suspended operations or experienced a significant decline in gross receipts, and places restrictions around the carryback deduction of net operating losses (that was only recently expanded in prior stimulus legislation).

## **Stimulus**

The Act provides for additional economic stimulus payments, with expanded benefits based on the number of dependents, and a phase-out structure similar to the CARES Act payments. Certain of these changes are retroactive to the CARES Act, such that qualifying taxpayers may receive supplemental payments related to the CARES Act payments.

## **Unemployment**

The Act extends supplemental unemployment compensation (an additional \$600 per week on top of existing benefits) through January 31, 2021.

## **Small Businesses**

The Act enhances PPP funding at financial institutions that work with small businesses, minority-owned businesses and community development projects, and allocates a portion of funds to be used solely for nonprofit organizations.

## **Creditors**

The Act provides a temporary moratorium on consumer debt collection and negative credit reporting. Further, the Act includes protections for renters and homeowners, and authorizes funding for an emergency assistance program for renters.

We will be keeping a close eye on the Act's progress, or lack thereof. Stay tuned for updates in this space.