

ANALYSIS
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HEROES Act to the Rescue

INTRODUCTION

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HEROES Act to the Rescue

BY MARK ZANDI

The economy appears set to shake off the massive blow of the COVID-19 pandemic. Business reopenings and the unprecedented monetary and fiscal policy response to the pandemic have stemmed the tens of millions of job losses, and job growth has resumed. However, the recovery is fragile given the ongoing pandemic, and the fiscal support is set to fade soon. Congress and the Trump administration are appropriately considering another fiscal rescue package, with the House recently passing the HEROES Act. If enacted, this legislation would go a long way to ensure the nascent recovery remains intact and the economy returns to full employment more quickly. It is expensive—costing \$3.4 trillion on a static basis, according to the Congressional Budget Office, and \$2.5 trillion by our estimate after accounting for the economic benefits of the legislation—but it provides a good benchmark for the support that is needed.

Fiscal policy so far

The economic recession precipitated by the COVID-19 pandemic will likely be the most severe in the nation's economic history. Well over 20 million jobs were lost in March and April. Unemployment surged to nearly 15% and closer to 20% when accounting for measurement problems acknowledged by the Bureau of Labor Statistics. Including workers who lost hours or suffered pay cuts, close to 50 million Americans, nearly one-third of the pre-pandemic workforce, took a direct economic hit from the virus.

The economy does appear to be turning the corner on the recession. Employment increased strongly and unemployment declined in May, and there are other positive economic signs, as retail, vehicle and home sales are off bottom. Businesses across the country began reopening in early May, and those reopenings should soon be complete, at least to the degree possible given ongoing social distancing rules.

Also critical to the economy's turn is the aggressive policy response. The Federal Reserve quickly lowered interest rates to the zero lower bound; reduced capital, liquidity and reserve requirements for banks to facilitate lending; and is purchasing trillions of dol-

lars in Treasury bonds and mortgage securities to keep mortgage and other lending rates low. The central bank has also erected a wide range of credit facilities to ensure that financial markets continue to function well. So far, these efforts have paid off; the stock market has rallied strongly from its lows, and credit spreads in the bond market have narrowed.

The fiscal policy response by Congress and the Trump administration has been equally unprecedented. Over \$2.8 trillion in increased government spending and tax relief, equal to 13% of prepandemic GDP, has been appropriated via several fiscal rescue packages, the most significant being the [Coronavirus Aid, Relief, and Economic Security Act](#), or CARES Act, that was passed into law in late March (see Table 1). For context, the fiscal support provided during and after the financial crisis more than a decade ago totaled no more than 10% of GDP.

The fiscal support has broadly included help to businesses, which have received grants, loans and tax breaks to defray their payroll and operating costs so as to avoid failure and bankruptcy. Hard-pressed households have received cash payments, greater unemployment insurance, and other financial assistance. Substantial funds have also been

provided to healthcare providers and state and local governments to pay for the direct costs associated with the unprecedented health crisis caused by the virus.

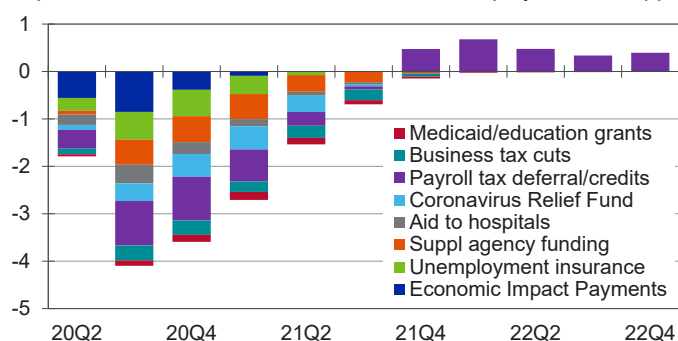
The economy has benefited substantially from the fiscal support as it struggled with the business shutdowns and mass job loss. Based on simulations of the Moody's Analytics model of the global economy, if this support had not been provided, the unemployment rate would have been almost 2 percentage points higher in the current quarter and over 4 percentage points higher in the third quarter (see Chart 1). However, the economic benefit fades fast, as much of the support gets into the economy quickly and will be largely delivered by August. Consistent with this is that nearly \$1.7 trillion of the \$2.8 trillion appropriated fiscal support was disbursed by early June.

More help needed

More fiscal support will be needed by Labor Day. The economy will have come a long way back from the nadir of the recession this spring, but it will still have a long way to go to fully recover and will still be grappling with the pandemic. The [CBO](#) and the [Fed](#) are projecting unemployment to still be near

Chart 1: Fiscal Rescue Supports Economy

Impact from federal rescue funds on U.S. unemployment rate, pts



Sources: BEA, CBO, JCT, Moody's Analytics

10%, consistent with our projections. For some context, the unemployment rate briefly peaked at 10% during the financial crisis, and the average peak unemployment rate in all recessions since World War II is less than 8%.

Weighing on the economy will be the considerable uncertainty regarding the virus. Will there be a serious second wave that, even if it does not close businesses again, will be highly disruptive to businesses as scared Americans self-quarantine? When will an effective vaccine or effective therapy be available? And how quickly will the vaccine be distributed and adopted? These are all but impossible questions to answer, and they ensure that businesses and consumers will remain cautious. Until the pandemic is over, it is difficult to see the economy experiencing the consistently strong growth necessary to bring down unemployment significantly.

A quick recovery will also be difficult given the prospects for a significant number of business failures and bankruptcies. Despite the substantial government help, many businesses, particularly in industries directly impacted by the pandemic, will not survive. Businesses in the accommodation, travel, retail, transportation and recreational activity industries are having a difficult time paying their bills and will soon have no choice but to shut their doors (see Table 2). Microbusinesses, those with fewer than 50 employees, are especially at risk. They had fewer financial resources prior to the pandemic, and government support has been more effective in getting to larger businesses with established banking relationships.

Because the pandemic has engulfed the entire world, the global economy has suf-

fered a deep recession. Typically, in recessions a significant part of the world navigates the downturn reasonably well, providing the engine for global growth in the early stages of recovery. The large Chinese economy played this role after the financial crisis, for example. But no part of the world is going to lead the

way out of this crisis. China was the source of the pandemic and the first to reopen its economy, yet it remains unable to fully recover, because it cannot sell much of what it produces to a world still struggling and not in a position to buy.

With this economic backdrop, the prospect of fiscal support ending abruptly is

daunting. Households that received more in financial help from the government than they lost to unemployment, lost hours and pay cuts in the second quarter will be in a very different place by the fourth quarter (see Chart 2). Since many of these households are of modest means and had little savings prior to the pandemic, they will have no choice but to stop paying their bills and cut their spending. This is the fodder for backtracking into recession. Indeed, based on simulations of the Moody's Analytics global model, without additional fiscal support, and despite the assumption that there will not be a serious second wave of the virus, the economy contracts again beginning later this year.

HEROES Act

Congress and the Trump administration are thus appropriately considering more fiscal support. The House recently passed the [Health and Economic Recovery Omnibus Emergency Solutions Act](#), or HEROES Act. This is massive legislation that has been

Table 1: Fiscal Policy Support Authorized and Disbursed

\$ bil

Policy	Authorized	Disbursed or approved, as of Jun 10
Paycheck Protection Program for Small Businesses	660	512
U.S. Treasury to Back Federal Reserve's Emergency Lending Facilities	454	195
Economic Disaster Injury Loan Program for Small Businesses	321	90
Economic Impact Payments	293	269
\$600 Emergency Increase to Weekly Unemployment Insurance Benefits	176	102
Provider Relief Fund for Hospitals and Other Healthcare Providers	175	68
Coronavirus Relief Funds for State, Local, Tribal and Territorial Governments	150	144
Tax Credits for Paid Sick and Paid Family and Medical Leave	105	33
Employee Retention Credit for Employers	55	21
Pandemic Emergency Unemployment Compensation	51	0
Increase FMAP by 6.2 pts for State Medicaid Programs	50	17
Pandemic Unemployment Assistance	49	2
Credit Assistance for Air Carriers and Businesses Critical to National Security	46	16
FEMA Disaster Relief Fund	45	6
Supplemental Nutrition Assistance Program	37	7
Air Carrier Worker Support	32	17
Education Stabilization Fund for States	31	30
Student Loan Forbearance	30	7
Infrastructure Grants to Public Transportation Systems	25	25
Housing Support	12	5
Delay of Payment of Employer Payroll Taxes	12	79
Emergency Grants to Commercial and General Aviation Airports	10	10
Total	2,819	1,655

Sources: CBO, CRFB, BEA, DoE, DoT, HHS, HUD, JCT, SBA, U.S. Treasury, Moody's Analytics

Table 2: The Pandemic Has Hit These Industries the Hardest

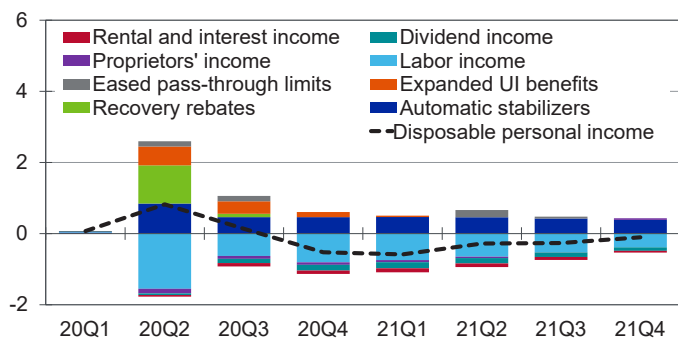
Business-to-business spending, May 2020

3-digit NAICS		Employment ths	B2B spending % change yr ago
All industries		150,935	-12.1
512	Motion Picture and Sound Recording Industries	443	-72.0
712	Museums; Historical Sites; and Similar Institutions	173	-70.9
213	Support Activities for Mining	343	-69.9
711	Performing Arts; Spectator Sports; and Related Industries	517	-69.5
721	Accommodation	2,077	-68.4
448	Clothing and Clothing Accessories Stores	1,299	-67.0
336	Transportation Equipment Manufacturing	1,734	-63.9
487	Scenic and Sightseeing Transportation	36	-60.7
316	Leather and Allied Product Manufacturing	27	-53.5
481	Air Transportation	503	-50.2
114	Fishing; Hunting and Trapping	8	-48.5
713	Amusement; Gambling; and Recreation Industries	1,745	-47.4
451	Sporting Goods; Hobby; Musical Instrument; and Book Stores	550	-47.2
212	Mining (except Oil and Gas)	191	-44.3
486	Pipeline Transportation	51	-43.5
211	Oil and Gas Extraction	99	-41.5
722	Food Services and Drinking Places	12,069	-41.5
315	Apparel Manufacturing	110	-41.4
483	Water Transportation	66	-38.4
236	Construction of Buildings	1,660	-38.0
531	Real Estate	1,718	-35.2
622	Hospitals	5,198	-32.0
332	Fabricated Metal Product Manufacturing	1,491	-31.4
337	Furniture and Related Product Manufacturing	388	-30.7
333	Machinery Manufacturing	1,126	-30.0
511	Publishing Industries (except Internet)	760	-29.7
525	Funds; Trusts; and Other Financial Vehicles	16	-29.3
812	Personal and Laundry Services	1,525	-29.1
485	Transit and Ground Passenger Transportation	499	-28.3
331	Primary Metal Manufacturing	385	-28.3
323	Printing and Related Support Activities	425	-27.4
324	Petroleum and Coal Products Manufacturing	114	-27.2
482	Rail Transportation	175	-26.5
326	Plastics and Rubber Products Manufacturing	737	-26.0
515	Broadcasting (except Internet)	266	-25.8
447	Gasoline Stations	945	-25.2
453	Miscellaneous Store Retailers	834	-24.3
335	Electrical Equipment; Appliance; and Component Manufacturing	405	-22.9
313	Textile Mills	109	-20.0

Sources: Cortera, Moody's Analytics

Chart 2: Govt Backstops Households, So Far

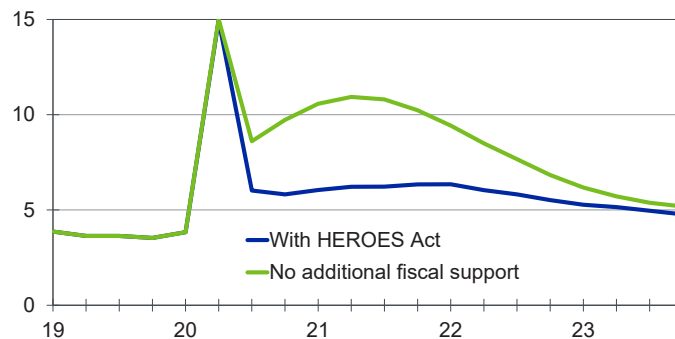
Disposable personal income, \$ tril, SAAR, change from 2019Q4



Sources: BEA, CBO, JCT, Moody's Analytics

Chart 3: Much Lower Unemployment...

...with HEROES Act, unemployment rate, %



Sources: BLS, Moody's Analytics

scored by the CBO to cost over \$3.4 trillion (see Appendix). Broadly, approximately one-third of the funds go to state and local governments that are hemorrhaging red ink and have been forced to aggressively cut their spending and jobs, because they are constrained from borrowing funds to meet their budget shortfalls. State and local governments have already slashed nearly 1.5 million jobs, equal to 5% of the pre-pandemic workforce. These are teachers, firefighters and police, hospital workers, emergency responders, and other critical workers who on average are paid solid middle-income salaries of about \$65,000 per year.

Another one-third of the HEROES Act funds go to hard-pressed households via continued expanded unemployment insurance benefits, another round of cash payments, and housing and food assistance. Households also receive various tax relief through child and dependent care tax credits, the earned income tax credit, and a reinstatement of state and local tax deductions. The final third of the HEROES Act money goes to a wide range of activities, including support for the healthcare industry and educational institutions. Businesses also receive more support, most notably through an expansion of the employee retention tax credit, a limited version of which was included in the CARES Act. The ERTC provides funds to businesses to help pay their payroll and operating expenses to ensure they are able to continue operating and to keep workers off of unemployment insurance.

The multipliers, or bang for the buck, of the different provisions in the HEROES Act vary (see Table 3). The biggest bang for the

buck comes from the income support provided to struggling households. Unemployment insurance, for example, has an estimated \$1.46 bang for the buck, which means that a dollar provided in UI will generate \$1.46 in GDP one year later. Unemployed workers receiving UI generally have few financial resources and spend the help they receive quickly. Food assistance has among the highest multipliers—an estimated \$1.67—since those receiving this help are especially hard-pressed. Other provisions in the HEROES Act have much lower multipliers, including some of the tax relief and debt forgiveness.

The multipliers for the provisions in the HEROES Act are somewhat larger than for the same provisions in the CARES Act because of business reopenings and easing of social distancing rules since the CARES Act was passed. Many households that received checks this spring, for example, could not spend the money quickly even if they wanted to, because people were stuck at home. That will be much less of an issue this summer and fall. Exceedingly low interest rates are also supporting the multipliers. Rates are expected to remain low despite the large amount of borrowing the Treasury would need to do to finance the HEROES Act. The Fed has made it clear it will continue to purchase this debt as needed to keep interest rates where they are until the economy is back near full employment and inflation rises at least to the Fed's target.

Economic and budget impact

If quickly passed into law, the HEROES Act would provide a substantial boost to the economy during the second half of this year,

when the economy is most vulnerable to the pandemic and at most risk of sliding back into recession. The legislation would also return the economy to full employment much more quickly.

Based on simulations of the Moody's Analytics global model, the HEROES Act would boost U.S. real GDP growth in the second half of this year by an estimated 18% annualized. This compares with just over 5% growth if there is no additional fiscal support. The economy is also able to avoid another downturn going into next year. A downturn is more than likely without additional fiscal support (see Table 4). With the HEROES Act, the economy is expected to recover all of the jobs it lost this spring by summer 2023; without any additional fiscal support, that job recovery would take until the end of 2024. With the legislation, unemployment would end this year at under 6%, still uncomfortably high but measurably better than the near 10% rate expected without more help from the federal government. The economy is expected to finally return to full employment—a sub-5% unemployment rate—by the end of 2023 under the HEROES Act. It will not do so until early 2025 if there is no additional support.

There are several key channels for the fiscal support in the HEROES Act to benefit the economy. Direct payments and tax relief to individuals support their demand for goods and services by providing financial resources to those suffering significant losses in income. Grants, loans and tax relief provide businesses with the cash they need to weather the financial fallout from the pandemic, making it more likely they will remain in busi-

ness and maintain their payrolls until activity fully revives. Federal assistance to state and local governments helps fill the hole in their budgets given their falling tax revenues and allows them to maintain their spending and payrolls. Finally, payments to healthcare providers ensure they can provide the testing and treatment needed to contain the virus.

According to the CBO, the static cost of the HEROES Act is over \$3.4 trillion, equal to an estimated 17% of current GDP. The

budgetary costs are still large, but they are substantially lower when considering the economic benefits of the legislation and the impact on government spending and tax receipts. Taking this into consideration, we estimate the cost of the HEROES Act to be nearly \$2.5 trillion, equal to 13% of current GDP.

To the rescue

The HEROES Act is expensive, and some of its provisions are more effective than others,

but it is a good benchmark for the additional fiscal support the economy requires for navigating through the pandemic without backsliding. Without additional help from Congress and the administration, prospects are for double-digit unemployment through the end of next year, and even this assumes nothing else goes wrong, like a serious second wave of the virus. How well the economy does in the next several years depends critically on what lawmakers decide to do in the next few weeks.

Table 3: HEROES Act Budget Outlays and Multipliers

\$ bil

	10-yr static budget cost	Multiplier
Total fiscal support	3,414	
Discretionary appropriations		
Coronavirus Relief Fund (aid to state, local, tribal & territorial govts)	915	1.34
HHS, HUD, and Other	390	1.11
Education Stabilization Fund	92	1.10
Homeowner Assistance Fund	76	1.14
Department of Transportation	31	1.41
SBA Emergency EIDL Grants	10	0.82
Other direct spending		
Increase FMAP for Medicaid by 14 ppts from Jul 2020 through Jun 2021 and other health provisions	72.3	1.00
Extension of CARES Act assistance to unemployed workers via Unemployment Insurance program	436.0	1.46
Assistance to agricultural producers and other matters related to agriculture	67.8	1.67
Pandemic emergency assistance and services (funding to states and subnational govt)	11.0	1.02
Empowering community financial institutions	5.0	0.81
Assistance for state, territory, tribal and local govts	30.0	1.29
Higher education provisions	170.0	0.83
COVID-19 Heroes Fund provisions relating to state, local, tribal, and private sector workers	180.0	0.88
COVID-19 Heroes Fund provisions relating to federal employees and COVID-19	10.0	0.88
Revenue provisions		
2020 Recovery Rebates to individuals ("stimulus checks")	-430.7	1.06
Earned Income Tax Credit	-24.3	1.20
Child Tax Credit and Dependent Care Assistance	-124.1	1.08
Elimination for 2020 and 2021 of Limitation on SALT Deduction	-136.6	0.78
Increase above-the-line deduction for certain expenses of school teachers and first responders	-5.3	0.74
Payroll credit for certain pandemic-related employee benefit expenses paid by employers	-42.8	0.80
Employee Retention Credit	-163.6	1.17
Payroll credit for certain fixed expenses of employees subject to closure due to COVID-19	-30.6	0.69
Business interruption credit for certain self-employed individuals	-21.3	0.77
Credits for Expanded Paid Sick and Family Leave	-32.0	0.96
Payroll tax deferral for recipients of certain loan forgiveness	-0.5	0.69
Restore limitations on net operating losses that were eased under CARES Act	254.1	0.10
Relief for employer pension plans	-40.8	0.58
Retirement-related provisions	-6.9	0.61
Forgiving student loan debt and protecting student borrowers	-14.7	0.65
Premium assistance for COBRA continuation coverage for individuals and their families	-97.7	0.91

Sources: CBO, JCT, Moody's Analytics

Table 4: Economic Impact of HEROES Act

	Real GDP						Employment					
	With HEROES		Without HEROES		Difference		With HEROES		Without HEROES		Difference	
	Billions 2012 \$	% chg annual rate	Billions 2012 \$	% chg annual rate	Billions \$	%	Millions	chg (Ths)	Millions	chg (Ths)	Thousands	%
2019Q1	18,927	3.1	18,927	3.1	0.0	0.0	150.2	484.7	150.2	484.7	0	0.0
2019Q2	19,022	2.0	19,022	2.0	0.0	0.0	150.6	425.7	150.6	425.7	0	0.0
2019Q3	19,121	2.1	19,121	2.1	0.0	0.0	151.2	551.0	151.2	551.0	0	0.0
2019Q4	19,222	2.1	19,222	2.1	0.0	0.0	151.8	628.0	151.8	628.0	0	0.0
2020Q1	18,988	(4.8)	18,988	(4.8)	0.0	0.0	152.1	287.0	152.1	287.0	0	0.0
2020Q2	17,224	(32.3)	17,198	(32.7)	25.5	0.1	132.3	(19,765.3)	132.2	(19,891.6)	126	0.1
2020Q3	18,408	30.5	17,772	14.0	636.2	3.6	146.3	14,023.6	141.7	9,554.4	4,596	3.2
2020Q4	18,710	6.7	17,651	(2.7)	1,059.5	6.0	148.0	1,691.1	140.7	(1,084.3)	7,371	5.2
2021Q1	18,804	2.0	17,551	(2.2)	1,252.3	7.1	148.4	420.2	139.6	(1,091.3)	8,882	6.4
2021Q2	18,891	1.9	17,562	0.3	1,328.9	7.6	148.8	324.6	139.2	(378.9)	9,586	6.9
2021Q3	19,168	6.0	17,851	6.7	1,316.8	7.4	149.3	543.2	139.7	486.5	9,643	6.9
2021Q4	19,370	4.3	18,231	8.8	1,138.7	6.2	149.4	127.5	140.8	1,138.6	8,632	6.1
2022Q1	19,527	3.3	18,613	8.6	914.3	4.9	149.7	243.3	142.3	1,518.9	7,356	5.2
2022Q2	19,725	4.1	18,978	8.1	747.9	3.9	150.3	580.2	143.9	1,568.7	6,367	4.4
2022Q3	19,908	3.8	19,327	7.6	581.1	3.0	150.6	341.5	145.3	1,438.4	5,271	3.6
2022Q4	20,088	3.7	19,637	6.6	450.6	2.3	151.1	450.9	146.7	1,382.4	4,339	3.0
2023Q1	20,254	3.3	19,903	5.5	350.6	1.8	151.5	418.8	147.9	1,175.1	3,583	2.4
2023Q2	20,409	3.1	20,140	4.8	269.2	1.3	151.9	440.3	149.0	1,106.6	2,916	2.0
2023Q3	20,573	3.3	20,337	4.0	236.1	1.2	152.5	607.9	149.9	945.4	2,579	1.7
2023Q4	20,732	3.1	20,495	3.1	236.1	1.2	153.2	636.7	150.7	752.4	2,463	1.6
2024Q1	20,863	2.6	20,626	2.6	236.9	1.1	153.6	467.3	151.3	572.3	2,358	1.6
2024Q2	20,983	2.3	20,740	2.2	242.8	1.2	153.9	319.0	151.6	366.3	2,311	1.5
2024Q3	21,088	2.0	20,845	2.0	242.9	1.2	154.2	224.2	151.9	299.4	2,236	1.5
2024Q4	21,182	1.8	20,955	2.1	227.4	1.1	154.4	180.6	152.3	347.8	2,068	1.4
2025Q1	21,278	1.8	21,073	2.3	205.1	1.0	154.5	152.2	152.6	354.9	1,866	1.2
2025Q2	21,379	1.9	21,191	2.3	187.3	0.9	154.7	164.9	153.0	334.1	1,697	1.1
2025Q3	21,484	2.0	21,308	2.2	176.0	0.8	154.9	205.1	153.3	328.4	1,573	1.0
2025Q4	21,590	2.0	21,418	2.1	172.3	0.8	155.1	236.7	153.6	302.6	1,507	1.0
2019	19,073	2.3	19,073	2.3	0.0	0.0	150.9	2,044.7	150.9	2,044.7	0	0.0
2020	18,333	(3.9)	17,902	(6.1)	430.3	2.4	144.7	(6,249.5)	141.7	(9,272.7)	3,023	2.1
2021	19,058	4.0	17,799	(0.6)	1,259.2	7.1	149.0	4,305.9	139.8	(1,856.5)	9,186	6.6
2022	19,812	4.0	19,139	7.5	673.5	3.5	150.4	1,410.3	144.6	4,762.7	5,833	4.0
2023	20,492	3.4	20,219	5.6	273.0	1.4	152.3	1,866.1	149.4	4,814.0	2,885	1.9
2024	21,029	2.6	20,792	2.8	237.5	1.1	154.0	1,755.3	151.8	2,397.3	2,243	1.5
2025	21,433	1.9	21,247	2.2	185.2	0.9	154.8	764.9	153.1	1,347.5	1,661	1.1

Sources: BEA, Treasury, Moody's Analytics

Appendix: H.R. 6800, The HEROES Act

Provisions	Deficit impact, \$ bil
Total	3,459
Division A - Coronavirus Recovery Supplemental Appropriations Act, 2020	1,515
Coronavirus State Fiscal Relief Fund: \$500 billion in funding to assist state governments with the fiscal impacts from the public health emergency caused by the coronavirus.	500
Coronavirus Local Fiscal Relief Fund: \$375 billion in funding to assist local governments with the fiscal impacts from the public health emergency caused by the coronavirus.	375
Homeowner Assistance Fund: \$75 billion to states, territories and tribes to address the ongoing needs of homeowners struggling to afford their housing due directly or indirectly to the impacts of the COVID-19 pandemic by providing direct assistance with mortgage payments, property taxes, property insurance, utilities, and other housing-related costs.	75
HHS Public Health and Social Services Emergency Fund: \$100 billion to reimburse for healthcare-related expenses or lost revenue attributable to the coronavirus, as well as \$75 billion to support testing and contact tracing to effectively monitor and suppress COVID-19.	178
Department of Housing and Urban Development: Includes \$100 billion in emergency rental assistance; \$11.5 billion in homeless assistance grants; \$5 billion in Community Development Block Grants; \$4 billion in tenant-based rental assistance; and \$2 billion for public housing agencies to carry out coronavirus response for the operation and management of almost 1 million public housing units, among other measures.	124
Education Stabilization Fund: \$90 billion for grants to states to support statewide and local funding for elementary and secondary schools and public postsecondary institutions.	90
Department of Transportation: \$15.75 billion for operating assistance grants to support the transit agencies that require significant additional assistance to maintain basic transit services, and \$15 billion for grants to support the ongoing work of state, tribal and territorial Departments of Transportation and certain local governments to mitigate the effects of coronavirus, including the salaries of staff and other administrative expenses.	32
Payment to Postal Service Fund: \$25 billion for revenue foregone due to the coronavirus pandemic, plus language providing additional protections to Postal workers.	25
SBA Emergency EIDL Grants: \$10 billion in grants to small businesses that have suffered financial losses as a result of the coronavirus outbreak.	10
Other: Includes \$20 billion for tribal governments and another \$20 billion for territories to assist with the fiscal impacts from the public health emergency caused by the coronavirus; \$10 billion for the Supplemental Nutrition Assistance Program (SNAP) to support anticipated increases in participation and to cover program cost increases related to flexibilities provided to SNAP by the Families First Coronavirus Response Act; and \$7.6 billion to support expanded healthcare services for underserved populations, among other measures.	106
Division B - Revenue Provisions	762
2020 Recovery Rebate Improvements: Include \$500 rebates for dependents; replace Social Security Number requirement with a taxpayer identification number requirement; 2020 recovery rebates not subject to reduction or offset with respect to past-due child support; protection of 2020 recovery rebates from any form of transfer, assignment, execution, levy, attachment, garnishment, legal process, bankruptcy or insolvency law; payments to representative payees and fiduciaries; and application to taxpayers with respect to whom advance payment has already been made (sunset 12/31/2020).	23
Additional Recovery Rebates to Individuals: \$1,200 for singles/\$2,400 for married filing jointly, and \$1,200 per dependent (maximum of three); phase-out rate of 5% for adjusted gross income over \$75,000 for single/\$112,500 for head of household/\$150,000 for married filing jointly; taxpayer identification number requirement; and payments to certain federal beneficiaries (sunset 12/31/2020).	413
Earned Income Tax Credit (EITC): Strengthening the EITC for individuals with no qualifying children (sunset 12/31/20); taxpayer eligible for childless EITC in case of qualifying children who fail to meet certain identification requirements; credit allowed in case of certain separated spouses; elimination of disqualified investment income test; application of EITC in possessions of the U.S.; and temporary special rule for determining earned income for purposes of EITC.	24
Child Tax Credit (CTC): CTC fully refundable; includes 17-year-olds; \$3,000 credit amount (\$3,600 if child younger than 6 years old) (sunset 12/31/2020); and payments to possessions.	119
Dependent Care Assistance: Refundability and enhancement of child and dependent care tax credit (sunset 12/31/2020); increase in exclusion for employer-provided dependent care assistance (sunset 12/31/20); and flexibility for certain employee benefits.	5
Deduction of State and Local Taxes (SALT): Elimination for 2020 and 2021 of limitation on SALT deduction.	137
Additional Relief: Increase in above-the-line deduction for certain expenses of elementary and secondary school teachers; above-the-line deduction allowed for certain expenses of first responders; temporary above-the-line deduction for supplies and equipment of first responders and COVID-19 front-line employees (sunset 12/31/2020); and payroll credit for certain pandemic-related employee benefit expenses paid by employers (sunset 12/31/2020).	48

Appendix: H.R. 6800, The HEROES Act (Cont.)

Provisions	Deficit impact, \$ bil
Tax Credits to Prevent Business Interruption: Improvements to employee retention credit (sunset 12/31/2020); payroll credit for certain fixed expenses of employers subject to closure by reason of COVID-19 (sunset 12/31/2020); and business interruption credit for certain self-employed individuals (sunset 12/31/2020).	215
Credits for Expanded Paid Sick and Family Leave: Extension of credits; repeal of reduced rate of credit for certain leave; increase in limitations on credits for paid family leave; election to use prior-year net earnings from self-employment in determining average daily self-employment income; federal, state and local governments allowed tax credits for paid sick and paid family and medical leave; certain technical improvements; and credits not allowed to certain large employers (sunset 12/31/2021).	32
Other Relief: Payroll tax deferral allowed for recipients of certain loan forgiveness (sunset 12/31/2020), and emergency financial aid grants not includible in gross income and does not reduce educational tax credits.	1
Net Operating Losses: Limitation on excess business losses of non-corporate taxpayers restored and made permanent, and certain taxpayers allowed carryback of net operating losses arising in 2019 and 2020.	-254
Division C - Health Provisions	178
Medicaid Provisions: Increase Federal Matching Assistance Percentage payments to state Medicaid programs by a total of 14 percentage points starting July 1, 2020 through June 30, 2021; ensure that uninsured individuals whom states opt to cover through the new Medicaid eligibility pathway will be able to receive treatment for COVID-19 without cost-sharing during the COVID-19 public health emergency; and temporarily increase Medicaid disproportionate share hospital allotments by 2.5%, among other measures.	81
Medicare Provisions: Hold Medicare beneficiaries harmless for specified COVID-19 treatment services furnished under Part A or Part B of the Medicare program; coverage of treatments for COVID-19 at no cost-sharing under the Medicare Advantage program; and coverage under Prescription Drug Plans and Medicare Advantage-Prescription Drug Plans without cost-sharing, among other measures.	11
Private Insurance Provisions: Premium assistance for COBRA continuation coverage and furloughed continuation coverage for individuals and their families, and \$20 billion in reduced direct spending.	86
Division D and Division N - Retirement Provisions	53
Relief for Multiemployer Pension Plans and Division N - Giving Retirement Options to Worker Act	60
Relief for Single-Employer Pension Plans	-7
Division E - Continued Assistance to Unemployed Workers	437
Extension of \$600 per week Federal Pandemic Unemployment Compensation (FPUC) supplement to state and federal unemployment benefits through January 31, 2021 and addition of a transition rule to allow individuals already receiving regular state unemployment benefits on January 31 to continue receiving the FPUC supplement until the end of the period of benefits to which they are entitled so long as they would end by March 31, 2021; extension of Pandemic Unemployment Assistance (PUA) benefits provided to workers who do not qualify for regular unemployment compensation through January 31, 2021 (workers would be able to apply for PUA through January 31, 2021 and would receive all of the weeks of benefits so long as they are for weeks ending by March 31, 2021); extension of Pandemic Extended Unemployment Compensation (PEUC), which provides 13 additional weeks of unemployment benefits to individuals who have exhausted other benefits, through January 31, 2021 (workers would be able to apply for PEUC through January 31, 2021, and to receive the full 13 weeks so long as they are for weeks ending no later than March 31, 2021); and extension of CARES Act provision, which reimbursed states that waived the “waiting week” for the first week of regular unemployment compensation through January 31, 2021.	437
Division F - Agriculture Provisions	68
Livestock: Provide emergency assistance to support livestock producers who are forced to euthanize market-ready livestock due to local processing plant disruptions due to COVID-19, and provide \$300 million to support improved animal health surveillance and laboratories.	1
Dairy: Provide necessary cash flow assistance to small and mid-sized dairies that have grown over the last seven years by establishing supplemental margin coverage based on the difference between 2019 actual production and Dairy Margin Coverage production history, among other measures.	2
Specialty Crops and Other Commodities: Provide \$16.5 billion for direct payments to agricultural producers, among other measures that include \$100 million in additional funding to address COVID-19 specialty crop supply chain issues.	19
Commodity Credit Corporation (CCC): Amend the CCC Charter Act to add authority for the Secretary to deal with removal and disposal of livestock and poultry due to supply chain interruption and to provide assistance to agricultural processing plants during a public health emergency.	10
Conservation: Expand the Conservation Reserve Program Soil Health Incentive Pilot Program to 5 million acres.	1
Nutrition: Increase the SNAP benefit level by 15%; exclude the Pandemic Unemployment Compensation as countable income for SNAP benefit calculation; increase the minimum SNAP benefit to \$30 per month; waive all work requirements for SNAP and prevent funding for USDA to implement or finalize the Able-Bodied Adults Without Dependents, Broad Based Categorical Eligibility, and Standard Utility Allowance rules; and provide additional funding to states to meet increased need for SNAP, among others.	35

Appendix: H.R. 6800, The HEROES Act (Cont.)

Provisions	Deficit impact, \$ bil
Division H - Veterans and Servicemembers Provisions	3
No copays for COVID-19 preventative services at VA medical facilities; grant per diem for children of homeless veterans; and flexibility for VA to care for homeless veterans during COVID-19, among other measures.	3
Division I - Small Business Provisions	1
Amendments to Paycheck Protection Program (PPP) loan forgiveness (extends 8-week covered period to 24 weeks and extends covered period from June 30 to December 31; creates a safe harbor for borrowers who cannot rehire in the prescribed timeframe; and eliminates 75/25 rule on use of loan proceeds), and improved coordination between PPP and Employee Retention Tax Credit, among other measures.	1
Division J - Support for Essential Workers, At-Risk Individuals, Families, and Communities	12
Family Care for Essential Workers: Increase overall authorization level for the Social Services Block Grant (SSBG) to \$12.15 billion in 2020 and directly appropriate \$850 million to SSBG to fund child and family care for essential workers.	1
Pandemic Emergency Assistance and Services: Directly appropriate \$9.6 billion to SSBG for the sole purpose of providing emergency aid and services to disadvantaged children, families and households; provide \$400 million to federally recognized Indian tribes and tribal organizations; and provide emergency assistance to older foster youth, among other measures.	11
Division K - COVID-19 HERO Act	65
Forgiving Student Loan Debt and Protecting Student Borrowers: Up to \$10,000 write-down of federal student loans excluded from income, and no recapture of tax benefits and exclusion from income for relief for defrauded borrowers.	15
Standing Up for Small Businesses, Minority-Owned Businesses, and Non-Profits: Restrictions on collections of debt during a national disaster or emergency; reasonable forbearance and repayment options for small businesses and nonprofit organizations when payments resume after the debt collection moratorium; and options for small businesses and nonprofits under the Main Street Lending Program, among other measures.	5
Empowering Community Financial Institutions: Emergency appropriation of \$2 billion to the Community Development Financial Institutions Fund and strengthening of diversity in community banking.	15
Providing Assistance for State, Territory, Tribal, and Local Governments: Expand Federal Reserve's assistance to local governments by allowing U.S. territories, as well as a greater number of cities and counties, to be eligible issuers in the Fed's municipal liquidity facility, and authorize \$5 billion in Community Development Block Grant funding to provide states and local governments with additional flexible resources to mitigate and address the health and economic impacts of COVID-19.	30
Division O - Education Provisions and Other Programs	169
Higher Education Provisions: Facilitate access to financial aid for recently unemployed students; protect student eligibility for Higher Education Emergency Relief Fund; expand the term "federal student loan" to include Direct Loans, Federal Family Education Loans (FFEL), Perkins loans, and Health and Human Services student loans; and extend the length of borrower relief due to the coronavirus emergency; and extend no interest accrual on federal student loans until September 31, 2021 or until the economy shows initial signs of recovery, among other measures.	169
Division Q - COVID-19 Heroes Fund	190
Provisions Relating to State, Local, Tribal, and Private Sector Workers: Award grants to essential work employers who chose to apply for grants for the purpose of providing premium pay to essential workers, who would then be eligible for grants of up to \$10,000 per essential worker to cover the entire cost of premium, including employer payroll taxes for premium pay. Employers that apply for and receive grants will pay essential workers \$13 per hour premium pay on top of regular wages. Essential workers are eligible for up to \$10,000 for work performed from January 27, 2020 until 60 days after the last day of the COVID-19 Public Health Emergency.	180
Provisions Relating to Federal Employees and COVID-19: Federal employees will be eligible for the same premium pay as is available to employees in the state/local/tribal/private sectors.	10
Division R - Child Nutrition and Related Programs	5
Emergency funding to the school meal and child adult care food programs to help cover operation costs during COVID-19; WIC benefit flexibility during COVID-19; and fresh produce for kids in need.	5
Division S - Other Matters	1
Amtrak and Rail Workers: Require passengers and employees to wear masks or protective face coverings while onboard an Amtrak train, and provide additional enhanced benefits under the Railroad Unemployment Insurance Act.	1

Sources: CBO, House Committee on Appropriations, Joint Committee on Taxation, Moody's Analytics

About the Author

Mark Zandi is chief economist of Moody's Analytics, where he directs economic research. Moody's Analytics, a subsidiary of Moody's Corp., is a leading provider of economic research, data and analytical tools. Dr. Zandi is a cofounder of Economy.com, which Moody's purchased in 2005.

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Dr. Zandi is the author of *Paying the Price: Ending the Great Recession and Beginning a New American Century*, which provides an assessment of the monetary and fiscal policy response to the Great Recession. His other book, *Financial Shock: A 360° Look at the Subprime Mortgage Implosion, and How to Avoid the Next Financial Crisis*, is described by The New York Times as the "clearest guide" to the financial crisis.

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