

# The CARES Act: What it Means for Gaming

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides needed resources for the COVID-19 public health response and essential support for workers and businesses impacted by the pandemic. This \$2 trillion bipartisan package is the largest economic relief package in our nation's history.

Previous federal responses to natural disasters and financial crises have explicitly excluded gaming companies from economic assistance available to the broader business community. With your help, the American Gaming Association (AGA) fought to ensure the gaming industry has access to economic relief on an equal basis with every other industry impacted by the COVID-19 outbreak.

Below are key provisions in the CARES Act most relevant to the gaming industry. AGA members should [review the full](#) bill to determine how eligibility requirements and obligations apply to your business.

## Access to Emergency Liquidity

- The Act provides \$454 billion for loans, loan guarantees, and other Federal Reserve lending programs to support businesses, states, tribes, and local governments suffering from the impact of the coronavirus. Interest expense on the loans is tax deductible.
- All U.S.-based businesses—including gaming—are eligible for assistance under this program, so long as they are not receiving other economic relief under the Act. Companies accessing these funds must abide by certain conditions.
- The Act establishes a special loan facility to enable banks and other lenders to extend low interest loans to eligible mid-sized U.S. businesses with 500 to 10,000 employees. Employers must retain or rehire at least 90 percent of workers and restore compensation and benefits.

## Tax Relief for Gaming and Other Businesses

- **Carryback of Net Operating Losses:** Allows companies to carry back losses from 2018, 2019, and 2020 to offset up to 100 percent of taxable income in the last five years, generating refunds for gaming businesses.
- **Employee Retention Tax Credit:** Gaming business closed down by the government due to the coronavirus outbreak can claim a tax credit on employment taxes equal to 50 percent of wages, up to \$10,000 of wages for each employee.
- **Deferral of Social Security Taxes:** Gaming employers may defer their share of Social Security tax payments on employee wages otherwise due for the remainder of 2020. This allows half to be paid by December 31, 2021 and the other half by the end of 2022.
- **Increase on Business Interest Deduction:** For 2019 and 2020 tax years, gaming businesses can deduct interest expense up to 50 percent of their adjusted taxable income (EBITDA: earnings before interest, taxes, depreciation, and amortization), up from 30 percent of such income previously.
- **Qualified Improvement Property Fix:** Gaming businesses will be able to immediately write-off building improvement costs, rather than depreciate these costs over 39 years.
- **Refundable Credits for Prior Year Corporate Alternative Minimum Tax (AMT):** Accelerates the ability for corporations to recover AMT credits, allowing a refund claim now to obtain additional cash flow.

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## Support for Small Businesses

- **Existing Small Business Administration (SBA) Loans:** Provides \$17 billion for the SBA to cover the next six months of loan payments due on existing SBA 7(a) loans, Certified Development Company loans, and microloans.
- **SBA Disaster Loans:** Provides \$10 billion for the SBA to provide economic injury disaster loans to small businesses until December 31, 2020. While casinos and any business that derives more than a third of their annual gross income from gambling are not normally eligible for such loans, the AGA is working to clarify the applicability of the CARES Act to casinos.
- **SBA Interruption Loans:** Provides \$349 billion for the SBA to provide “interruption loans” to small businesses, self-employed individuals, 501(c)(3) organizations, and veterans organizations, provided they have less than 500 employees or they meet SBA small business size standards (whichever is greater), with broadened eligibility for some franchises and businesses that provide food and accommodation services.
- **SBA Express Loans:** Temporarily increases the maximum loan amount for an SBA Express loan from \$350,000 to \$1 million.

## Relief for Tribal Communities

- **Coronavirus Relief Fund:** \$8 billion from this \$150 billion fund has been specifically set aside for tribal governments or tribally owned entities to cover increased, necessary expenditures due to COVID-19.
- **Tribal Business Concerns:** Makes tribes eligible for the Small Business Act Section 7(a) Paycheck Protection Program, which will provide 100 percent federal loan guarantees up to \$10 million to cover costs like employee salaries, paid sick leave/medical leave, mortgages/rents, and employee health insurance premiums.
- **Unemployment Insurance:** Allows tribes to be reimbursed for half their incurred unemployment benefit costs through December 31, 2020.
- **Funding:** The CARES Act contains over \$2 billion in emergency supplemental funding for federal programs that serve tribes, native families, and Urban Indian Health Centers.

## Tourism Grants for Economic Revitalization

- **Community Development Block Grants:** Provides \$5 billion in grants to states and local governments to mitigate economic disruptions in impacted industries, including making direct grants to tourism businesses impacted by COVID-19.
- **Economic Development Agency Grants:** Provides \$1.5 billion to state and local governments for economic injuries to impacted industries, including grants to support economic revitalization of tourism businesses impacted by COVID-19.

## Enhancements to Unemployment Insurance

- **Extending Benefits:** Provides enhancements to existing state unemployment insurance programs, including:
  - Allowing furloughed workers to receive unemployment insurance benefits
  - Waiving the seven-day waiting period for regular unemployment insurance
  - Extending the duration of unemployment insurance benefits
  - Promoting short-time compensation benefits for workers forced to cut hours