

The Next Stimulus Bill is Coming Soon ... How Will it Affect Your Business?

PAYCHEX
Business
Series

Coronavirus



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Full transcript

Gene Marks:

Hey, everybody, and welcome to the Paychex Business Series Podcasts. I'm your host Gene Marks. I am a certified public accountant and regular business columnist for a bunch of publications, including *Forbes*, *Entrepreneur*, *The Hill*, *The Washington Times*, *The Philadelphia Inquirer*, and a few others. But more importantly, I'm a small business owner of a financial and technology management services company. I've teamed up with Paychex, the leading provider of human resources, payroll benefits, and insurance services, to bring you real-life advice from real-life business owners and industry experts. And in this podcast, we'll talk about the complexities of running a small business and how they're handling the challenges they face.

Today, my guest is Thad Inge, who is the Senior Manager of Government Relations at Paychex. Thad has boots on the ground in Washington, D.C. Thad, how is Washington, D.C., right now?

Thad Inge:

It is not its normal self, as much of the country isn't. I went to a hearing before the Small Business Committee in mid-March, and that was right around when they were starting to shut things down. I think that was the last day that the public was allowed to go into the building, and after that, they shut down the congressional buildings to the public, and then most of the staff was not there either. Obviously Congress has kind of been in and out, and so a lot of Congress has been there, but the staff is down to a skeleton crew. And many people are working from home just like they are across the country.

Gene Marks:

Yeah. You know, at first when you said it's not its normal self like the rest of the country, I was like: oh, you mean so everybody's getting along and happy and friendly and making common sense? But I guess I'm asking for a little bit too much. Well, good. Well, Washington is going to be reopening soon. Your job is, like I said in your introduction, about being boots on the ground for Paychex. I mean, Paychex represents so many small businesses around the country, and what goes on in Washington has such a significant impact on us as business owners and how we pay our people and how we manage our overhead, our finances, all of that.

You're well-versed in what's going on in Congress. Congress has been very busy writing trillions and trillions of dollars of checks to help small businesses and states and healthcare and a whole bunch of other things. We've had two stimulus bills that have gone through already, the biggest one being the CARES Act. Most people are expecting a third stimulus bill to happen. And before we talk about the prospects of that, let's just say that right now as you and I are talking, the House, the Democratically controlled House, has passed their stimulus bill called the HEROES Act. What's in it specifically that would affect small businesses?

Thad Inge:

With the HEROES Act, it's really what's not in it. I mean, it was a \$3.2 trillion dollar bill, and so they really just went all in and put everything in there, knowing that it was kind of a starting point for negotiation, that it probably would not be passed in the Senate, which turned out to be the case. And so there's lots of funding for all kinds of different things in there, like state and local governments, additional stimulus checks. On the PPP program, they did make some changes in the HEROES Act, which were very similar to the changes that ended up being in the Paycheck Protection Program Flexibility Act that just passed.

And so there was some small business-specific stuff in there, but since those programs already had a lot of funding at that time, it didn't have a new set of funding for those programs. But really it was just a lot of money going to healthcare, hospitals, state and local government, more stimulus checks, just getting money out the door. But it was pretty clear even before it got introduced that it was going to be dead on arrival in the Senate, that it was not going to fly through.

Gene Marks:

There are two things in that bill that kind of raised my antenna a little bit. The first was that the bill extends the federal unemployment—that extra \$600 a week—through January of 2021. Is that true? And what are your thoughts on that?

Thad Inge:

Yeah. So that has been a big point of contention and will probably sort of be front and center for the next stimulus bill, this \$600 additional weekly funding to unemployment benefits. Right now that's through July under the CARES Act. And there was a lot of frustration from small businesses and others that said many employees were making more on unemployment than they were on their jobs, and so it was hard to get them to go back to work. That has shifted a tiny bit, I would say, in recent weeks. At first Republicans were saying, "We really don't want to extend this at all. This has to end at the end of July so we can get everyone back to work."

I think the realization has set in that we are going to have pretty high unemployment for a while, and that it might be hard to just take that away completely at the end of July. And so a number of ideas have been floated. One would be to just reduce that, so it's not \$600 a week, but something less. There's also been this idea of a back-to-work bonus. So Senator Portman and Kevin Brady on the House side introduced a bill that basically said, if you go back to work, you will get ... In Portman's case, it was \$450 a week of additional supplement to kind of incentivize people to get off unemployment, go back to work. We'll see how that all shakes out. But I think that's definitely something they want to address in the next stimulus bill.

Gene Marks:

Right. How about mandated paid time off for sick leave? The HEROES Act, the House bill has that mandated paid time off going through the end of 2021, I believe, which is a potential big cost for employers.

Thad Inge:

Yeah. The sick leave has been interesting throughout this whole process because that was really the first thing in the Families First Coronavirus Act, the first big bill they passed, really the first thing they looked at where they said there needs to be paid sick leave, and we're going to provide these tax credits to offer it. And then all of a sudden, all these businesses were mandated to close or people were staying home because their children were out of school, and so it kind of muddied the waters on what's the difference between sick leave and working from home and being furloughed. And then there were different tax credits and different stimulus.

And so how that moves the needle going forward, I think paid leave has in some ways become less of an issue because there are all these other factors that people are dealing with at the same time.

Gene Marks:

Yeah. And yet paid leave is just ... I have so many clients right now as they're reopening their businesses are concerned that ... I mean, most of their employees are coming back, but everybody tells me there's a handful that don't want to come back because they don't feel safe yet. It's not like they're sick or they're testing positive, they're just unsafe. And so employers are struggling as to what do you do—do you fire those people? I mean, the sick leave bill doesn't take care of that, obviously, if you just feel generally unsafe, you know?

Thad Inge:

Yep. And for a business owner, if there's a tax credit, in theory it might seem like it covers your costs, but it's the question of is it a refundable tax credit? Do you get that money quick enough? If you're able to just subtract that from your payroll taxes, do you have enough payroll taxes to cover that? And so DOL and IRS had been trying to work through some of these issues, but they're complicated.

Gene Marks:

Before we get off the Democrats' bill, one thing that ... and again, we're talking politics here, but not opinion, just facts here. And one of the things that I'm seeing is that this HEROES Act, as you said in the very beginning, they knew when they passed it that it was not going to pass the Republican-controlled Senate. But one of the strategies of it was it sort of establishes ... it's setting the tone for the November elections. In other words, Biden was involved in this, and a lot of the things that we saw in the HEROES Act ... he's going to be running on a lot of those things as a platform as he campaigns for president. Is that true?

Thad Inge:

Yeah. I think the message of that bill is there needs to be a sense of urgency around the government helping people through this crisis, and it needs to be big and bold, and we need to move quickly. And I think the contrast, the Republicans wanted to kind of take a step back and say, "We've already done a lot. Let's see what's working. Let's not overspend." And so that was the contrast that really got set up. And I think Biden has reinforced the Democratic message, which is: Let's go bold; let's go big as we work our way through this crisis. I think the interesting thing is there might be a little bit of a rub between where the White House is and where Senator McConnell is. Because from President Trump's perspective, getting more money out the door could be politically advantageous to him. And so I think they are interested in another round of stimulus, because timing-wise, they don't want all of this to dry up right before the election.

Gene Marks:

Pivoting over to the Republican side, so again, the Democrats, they've got their bill that's been passed, and now the Senate, which is Republican-controlled, is now ... they're going to come forward with their stimulus bill. One of the major priorities I know of Senator McConnell has to do with business liability. Can you explain that?

Thad Inge:

Yep. And so the U.S. Chamber made this their number one priority, and then McConnell has said it's a must-have for the next stimulus bill. And essentially the fear is that as people come back to work, as customers come back to businesses, if someone does contract COVID-19 that they could sue their employer or sue the business they're frequenting and put the business under a lot of risk in terms of liability. And so I think there's an openness on the Democratic side to maybe do something along those lines, but there's been a general resistance to let's not give sort of a blanket waiver on this where businesses don't have to follow the rules. The Chamber's been really clear—we don't want to give a blanket waiver ... for people that did not use good judgment, did not take the necessary precautions. And so how this plays out will be very interesting. I think the longer we go before something passes as businesses are reopening, it undermines the argument a little bit that this is a must-have, but I've also heard about lawsuits out there where people are getting sued and businesses are afraid of getting sued. And so it'll be interesting to see if they're able to come together on some kind of compromise around this liability protection.

Gene Marks:

Yeah, it's a big issue, and the biggest issue is that there are so many different rules and instructions from the CDC, from OSHA, from associations, from states about what to do and what not to do. It's very confusing for employers. And that opens up room for debate and therefore litigation. Thad, what else in the Republican bill? I mean, besides covering for potential business liabilities, you had also mentioned about a back-to-work bonus, so to get people off of unemployment and give them a little bit of an incentive to go back to work. What else do you hear the Republicans are talking about that would be part of their stimulus bill?

Thad Inge:

So Secretary Mnuchin testified before the Senate Small Business Committee hearing yesterday, and this was one of the questions: What should we do? Do we need to do more? And he did say we need to do more. He said small and big businesses are going to need more help going forward, and he said their main goal is about getting people back to work. What is going to incentivize hiring? And he specifically pointed out the tourism industry, hospitality, restaurants. He said these are industries that got hit particularly hard and that they'll be looking for ways to incentivize hiring and get them back on their feet. He kind of made the point that you have to have the employees before the customers come back, and so they're going to have to help these industries.

He brought up unemployment, fixing the \$600, but did not get into too many specifics. And then he also said there might be a need for more direct stimulus in terms of sending checks to individuals. It was interesting because Senator Romney kind of took him on on that and said: "You've just said that jobs are coming back. We're moving in the right direction. It's one thing to kind of re-up the Paycheck Protection Program, but why would we need more direct stimulus?" And so it'll be interesting to see where things come out there, because I think there are different opinions in the Republican Party about the need for more direct stimulus.

And then President Trump has talked since March about his desire to have a payroll tax cut, and that has not gotten a great reception on the Hill. A lot of people feel like payroll tax cut might not be the best way to stimulate hiring at this time, but Trump has continued to talk about that as a priority of his.

Gene Marks:

As we're getting near to the end of this conversation, Thad, I'm going to put you on the spot. We're going to have you back to see just how right ... let's make some bets here. When do you think this third stimulus bill is going to happen? And what do you think is going to be in it?

Thad Inge:

As you know, Congress loves to take their August recess, which is normally about five weeks starting at the beginning of August, and then they normally come back after Labor Day. I think they will be trying to pass this bill right up until they leave for their August recess. I think negotiations will start in earnest after the 4th of July, but it's going to take a few weeks for some of these things to start to gel. And I imagine it'll be the last thing they do before they leave for August recess. In terms of what's in it, something on the unemployment benefit will definitely be in there, I think. That's one where Democrats really have to come to the table, because otherwise, it just expires the end of July. And so I think that's one that's easy to get a compromise on.

Thad Inge:

One interesting one is the PPP Program, whether there will be a desire or a perceived need to do more funding for that. Right now, there's still about \$100 billion, and so if they'll continue to make changes to the program or if they'll provide more funding I think will be interesting to see. And the liability protection, I imagine they would get some limited liability protection. Since McConnell has kind of drawn that red line and said it's a must-have, it seems like maybe something that provides some level of protection but also has a number of caveats to make Democrats comfortable moving forward with it. One of the hot political issues is state and local funding, and that one doesn't involve small businesses as much, and I'm not sure whether that will be in there.

Gene Marks:

Thad Inge is the Senior Manager of Government Relations at Paychex. Thank you, Thad. That is great information and very helpful. For more information about what we discussed today and other coronavirus questions and topics, please visit the Paychex COVID-19 Help Center. The address is paychex.com/coronavirus-resources.

Thanks again, Thad. We're going to definitely have you back maybe during the recess in August, and we'll see if some of your predictions came true or not, which should be interesting for sure. Thanks, everyone else, thank you for listening, and we will see you next time.