Digital Summit: Economic Policy Responses to COVID-19

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Presentation Summaries

Matthew Chase | National Association of Counties

NACo is focused on saving lives and restoring lives. As the COVID-19 pandemic spreads, county services and capacities are being stretched thin. Before the pandemic, health and social safety net services were already a challenge for counties to manage -- even amidst the well-performing economy of the previous year. Now, with more demand for health and social safety net services and sharply declining tax revenue, counties are struggling to serve residents and need support from the federal government.

Read more: Counties Respond to Coronavirus

Jay Shambaugh | The Hamilton Project

COVID-19 is going to cause a severe economic shock in the United States. In response, policymakers should focus on the social safety net, which -- with some adjustments -- can quickly and effectively get money into vulnerable peoples' hands. In particular, the federal government and states should adjust and expand unemployment insurance to increase recipiency and payments. Wage replacement rates should rise, time limits should be lengthened, and "work sharing" should be encouraged. These changes should be federally funded and set to automatically trigger when economic conditions deteriorate.

Read more: What Should a Fiscal Response to a COVID-19 Outbreak Look Like?

Adam Michel | Heritage Foundation

In an economic downturn, businesses need timely access to liquidity. To facilitate this goal, the tax code should be changed to allow businesses greater access to net operating losses. Currently, the tax code generally allows businesses to credit losses against profits, allowing them to average profits and losses over a period of time larger than the standard tax year by carrying losses forward to years in which they have profits. In the past, firms were also able to carry losses back to previous returns, allowing them to receive refunds for taxes that they had paid previously. The Tax Cuts and Jobs Act restricted use of this tax code feature. Congress should expand access to net operating losses by allowing businesses to carry losses back for 2 or more years, and remove any restrictions on carry-forwards. Further, Congress could allow these losses to be refundable and allow businesses to continue to estimate the coming year's losses assuming several consecutive months of disruptions, and make projected losses also eligible for immediate refunds.

Read more: One Small Change in the Tax Code Could Help Many Businesses in Uncertain Time

Linda Smith | Bipartisan Policy Center

The federal government must support child care businesses during an economic downturn. As child care centers close and lay off workers, it becomes more difficult for parents to stay at work or return to work. As a result, front line workers who are critical to the response to COVID-19 -- such as health care workers -- may be pulled to the sidelines, and the impact of a downturn will be lengthened and amplified as parents looking to return to work are unable to find child care. Congress should modify disaster relief and small business loan programs to ensure that for-profit child care businesses can access emergency support funds, and it should increase funding and eligibility for the Child Care and Development Block Grant.

Read more: Supporting the Child Care Market Through the COVID-19 Pandemic

Samuel Hammond and Geoff Kabaservice | Niskanen Center

Economic policy responses to COVID-19 should focus on direct cash payments to individuals and/or families, incentivizing firms to keep employees on their payroll even if the employees have reduced or no hours, and streamlining the federal small business loan process. There is growing momentum on both sides of the aisle behind the idea of direct and universal cash support. Policymakers should focus on finding a path forward which brings together, on the left, the Booker-Bennet-Brown proposal, and on the right, the Romney-Hawley-Cotton proposal for direct cash payments. To encourage "labor hoarding," the federal government should enact a tax credit for companies who retain a certain percentage of their normal employment levels. Here, the goal is to prevent workers from losing their jobs. The loss of a job can have devastating psychological impacts on a worker, in addition to economic impacts. With respect to small business loans, the Small Business Administration should expedite loan review processes and waive interest payments for at least six months.

Read more: Major Fiscal Relief Requires Democrats and Republicans to Join Forces

Jason Furman | Harvard Kennedy School

States and localities need fiscal relief. For each percentage point increase in the unemployment rate, combined state tax revenue falls by $40 billion. The federal government should enact $250 billion in fiscal support to state and local governments, in preparation for a six point increase in unemployment. Specifically, Congress should increase Medicaid matching -- initially by 15 percentage points, and further as economic conditions warrant. Increases in Medicaid matching should be paired with increases in FMAP funding and unconditional aid from the federal government to state and local governments. New government programs are difficult to design and implement even in the best of times, let alone amidst an economic downturn and pandemic during

which administrators and implementers are precluded from meeting face-to-face. Policymakers should err on the side of simplicity in program design.

Read more: The Case for a Big Coronavirus Stimulus

Aparna Mathur | American Enterprise Institute

The goal of an economic policy response is to keep workers attached to the labor force, even if they temporarily leave work or have their hours reduced. Workers need more access to paid sick and medical leave, whether to get treated or tested or quarantine themselves, or to care for a family member. The House-passed paid sick leave program falls short on many fronts. First, it provides insufficient medical leave for workers who need to quarantine themselves. Second, it excludes firms with greater than 500 employees -- there is no harm in, on an emergency basis, extending sick and medical leave provisions up the ladder to large-size businesses as well. Third, the financial support mechanism for businesses currently being discussed -- a tax credit for paid leave -- does not meet the immediate liquidity concerns of businesses. Workers should also have their wages held steady even if their hours are reduced; work sharing through the unemployment insurance system could fill this gap.

Read more: The Best Short-Term and Long-Term Stimulus Package for COVID-19

Nicole Kaeding | National Taxpayers Union Foundation

Under the Stafford Act, the federal government has the authority to delay tax filing and payment requirements by up to 12 months. It should take full advantage of this authority to keep cash in the hands of families and businesses. April 15 is the tax filing deadline for individuals; it is also the Quarter 1 estimated tax payment deadline for businesses. Treasury should fully delay these filing and payment deadlines, as well as the Quarter 2 payment deadline for businesses.

Read more: Delaying Tax Filing Season due to COVID-19

Elaine Maag | Tax Policy Center

Policymakers should have two first-order concerns: first, getting cash into the hands of financially vulnerable families and individuals; second, passing these payments along in a manner that is administratively simple. To meet these concerns, the federal government should issue a second EITC payment based on filers' 2019 EITC amounts. This would provide approximately $70 billion in relief to low-income families. If the tax filing deadline for individuals remains April 15, the federal government will soon have updated information on filers' addresses and bank accounts, which facilitates quick payment. Federal policymakers should also consider adjusting the structure of the EITC for this payment, in order to provide more support to the lowest-income households and childless adults. This can be achieved by removing the phase-in of the EITC and sending childless adults an EITC equivalent to the one-child EITC.

Read more: Using The EITC To Help Fight An Economic Slowdown