

## Aviation Regulatory Update

# CARES Act Update - Relief for U.S. Economy and Impact on Aviation Industry

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act provides nearly \$2 trillion dollars of relief overall to the U.S. economy.

As part of that relief, the CARES Act delivers nearly \$340 billion in additional federal appropriations, of which approximately \$36.1 billion is earmarked for the Department of Transportation. This includes funding for:

- **Federal Aviation Administration, Airport Improvement Program (AIP) – \$10 billion to maintain operations at our nation’s airports that are facing a record drop in passengers. AIP funds will be distributed by formula.**
- **Essential Air Service (EAS) – \$56 million provided to maintain existing air service to rural communities. This funding is necessary to offset the reduction in overflight fees that help pay for the EAS program.**

The CARES Act also provides direct economic relief to the U.S. aviation industry, including critical loan guarantees as follows:

- 1) \$25 billion for passenger air carriers;
- 2) \$4 billion for cargo air carriers; and
- 3) \$17 billion for “businesses critical to maintaining national security.”

These loans will be provided with certain requirements, which include: a five-year mandatory limit on the loan period; restrictions on the payment of dividends; maintenance of employee levels until September 30, 2020; and a prohibition on those entities that obtain loans from purchasing an equity security for a one year period after the loan is no longer outstanding. The CARES Act also suspends commercial aviation excise taxes through the end of 2020 (Section 4007), places limitations on executive compensation for businesses obtaining loans (Section 4004), and requires the continuation of certain routes that were in place before March 1, 2020 (Section 4005).

With respect to airline workers, Section 4112 of the CARES Act provides additional funds “to preserve aviation jobs and compensate air carrier industry workers” as follows:

- 1) Passenger air carriers, in an aggregate amount up to \$25 billion;
- 2) Cargo air carriers, in an aggregate amount up to \$4 billion; and
- 3) Contractors, in an aggregate amount up to \$3 billion.

Finally, in addition to the above aviation-specific update on the CARES Act, we wanted to pass along two updates on how the CARES Act will impact U.S. businesses and citizens in regard to taxes and employment:

[Available here](#), please find an update on the tax provisions of the CARES Act, and the relief being granted to individuals and businesses.

[Available here](#), please find an update on the provision of the CARES Act that directly impact employer sponsored retirement and welfare plans.

We will continue to monitor the federal government's response to the COVID-19 epidemic and provide updates on any government actions that affect the aviation industry. As always, if you have any questions regarding the above, or any other matter, please do not hesitate to contact us.



This Aviation Regulatory Update is intended to keep readers current on developments in the law. It is not intended to be legal advice. If you have any questions, please contact author [Evelyn Sahr](#) at 202.659.6622 or [esahr@eckertseamans.com](mailto:esahr@eckertseamans.com); [Drew Derco](#) at 202-659-6665 or [dderco@eckertseamans.com](mailto:dderco@eckertseamans.com); or [Andy Orr](#) at 202-659-6625 or [aorr@eckertseamans.com](mailto:aorr@eckertseamans.com) or any other attorney at Eckert Seamans with whom you have been working.