



Pay People to Stay Home: Cash Assistance for a Nation in Crisis

Last updated March 25, 2020

The CPC Center thanks the Center for Economic and Policy Research, The Century Foundation, Economic Policy Institute, and Washington Center for Equitable Growth for their helpful comments and insights.

***Update as of March 25, 2020:** The latest compromise version of the CARES Act includes a \$1,200 one-time payment per adult (up to \$75,000 in annual income for individuals and \$150,000 for joint filers) and \$500 per child. This relief would cut out immigrant families. While this will provide some needed immediate relief, it does not reach the scale of the relief we need and would leave immigrant families cut out.*

The threat of a significant economic downturn as a result of the coronavirus outbreak increases daily. To slow the spread of the coronavirus, Americans have been urged, and now in most cases, required, to practice social distancing. States across the country have ordered residents to stay home and many have ordered all but essential businesses to close.

While we follow the public health measures that are necessary to slow the spread of the novel coronavirus, our policymakers must enact measures to lessen the economic hardship this is imposing on families and communities.

We are likely to experience mass layoffs and a dramatic reduction in spending. Forecasters are estimating that we could lose [up to 5 million jobs](#) in a matter of weeks. As a result of these layoffs and the closure of businesses, as well as social distancing measures, we are likely to see a dramatic drop in consumer spending, which accounts for roughly 70 percent of U.S. GDP. Increased economic stress due to an uptick in COVID-19 would only exacerbate the economic crisis. It's time to pay people to stay home.

Cash Assistance vs. Tax Holidays

There is broad acknowledgement of the need for an injection of cash into the economy to provide immediate assistance to households in the face of work disruptions and layoffs and stimulate demand.

Initially, some proponents of this form of stimulus landed in favor of tax holidays. Proposals by the Trump Administration and others to enact a payroll tax cut were decried by policy makers and analysts on both sides of the aisle. Critics rightly noted that the relief from the tax cuts would only go to people with jobs, even as a [wave of layoffs](#) has begun. Even for those with jobs, the benefits of a tax holiday would not be felt for some time. Such cuts would

inevitably benefit affluent Americans and do little for those at lower ends of the pay scale. Importantly, focusing on the FICA payroll tax could also impact the Social Security and Medicare trust funds and compromise the long-term solvency of these programs.

Summary of Current Proposals

Momentum has shifted, though, in support of cash assistance, with even the [Trump Administration](#) and [Sen. Mitt Romney](#) joining progressive lawmakers and economists in calling for direct payments to Americans in the face of this crisis. As the House and Senate negotiate on a third coronavirus relief package, both versions include some cash assistance, although the scale and amount of support for the hardest hit families very significantly.

Currently, the House Democratic proposal includes:

- A \$1,500 payment per adult or child (capped at \$7,500 per family), including retirees and unemployed individuals
- Individuals with over \$75,000 in annual income (\$150,000 for joint filers) will repay all or part of cash assistance over three years (effectively a zero-interest loan)
- Temporary suspension of work requirements for Temporary Assistance for Needy Families (TANF)
- \$3 billion to help low-income families with utility bills

The Senate Republican proposal also provides for cash assistance, at a lesser amount:

- \$1,200 payment per adult (up to \$75,000 in annual income for individuals, \$112,500 for head of household, and \$150,000 for joint filers) and \$500 per child
- Only available to taxpayers who filed a 2018 or 2019 tax return
- The rebate amount is reduced by \$5 for each \$100 a taxpayer's income exceeds the phase-out threshold with complete phaseout at \$99,000 for individuals and \$198,000 for joint filers

A wide variety of elected leaders have released plans to provide cash assistance during the coronavirus crisis.

- The Congressional Progressive Caucus co-chairs have called for monthly cash payments in the amount of \$2000 per adult and up to \$1000 for children in the household
- Rep. Ryan and Rep. Khanna's legislation would send payments of \$1000 to individuals making up to \$130,000 a year (the IRS definition for a "highly compensated employee") and \$2000 for couples earning up to \$200,000. Families with one child would receive \$500 and a second \$500 if they have two or more children
- Sen. Mitt Romney (UT) [proposed](#) a one time \$1000 payment for every American Adult
- Rep. Ilhan Omar (MN-5) [put forth](#) a monthly \$1000 payment per adult and \$500 per child that will continue until the coronavirus crisis is declared over by the Treasury Department and HHS
- Rep. Rashida Tlaib (MI-13) proposed pre-loaded debit cards with \$2000 per person that would be recharged with \$1000 monthly until one year after the end of the crisis

- Rep. Joe Kennedy III (MA-4) has [suggested](#) \$4,000 per adult making less than \$100,000 a year, \$2000 for those with incomes over \$200,000 and \$1000 per child
- [Sens. Michael Bennet \(CO\), Cory Booker \(NJ\) and Sherrod Brown \(OH\)](#) have called for a \$2000 payment for adults that would phase out at \$90,000 in income for an individual and \$180,000 for couples. This plan would also give a payment of \$2000 for each child. All payments would be quarterly
- Sen. Josh Hawley (MO) [has proposed](#) direct payments of \$1446 for a family of three, \$1786 for a family of four, and \$2206 for a family of five. Benefits phase out earlier and quicker for single-parent households than married households
- The Treasury Department [announced](#) a package authorizing and appropriating funds for two rounds of direct cash payments. While full details have yet to emerge at the time of this writing, the payments would be administered via the IRS and would likely range between \$1000 and \$2000 per adult with a lesser amount for children

What We Need Next

To adequately address the potential loss in demand and make sure that families and individuals can buy food, pay bills, and weather the coming downturn, a substantial cash assistance program is needed right now. There is [ample evidence](#) that putting cash directly into the hands of consumers has a greater stimulative impact than offering tax credits.

All of the proposals above would put much needed cash into the hands of at least some of the individuals and families most impacted by the imminent downturn. To be most effective, such programs should distribute several rounds of payments and should be responsive to changes in the state of the economy. The payments should also treat individuals at the same income level equally, regardless of their marital status or family composition. Such programs would ideally make use of existing agencies for distribution of payments and feature simple accessible options for signup.

Direct cash assistance, along with other measures such as expanded unemployment insurance, debt relief, housing assistance and child care assistance could effectively blunt much of the impact of the looming downturn.