

THE AMERICAN RESCUE PLAN ACT

On Wednesday, March 10, 2021, Congress passed H.R. 1319, The American Rescue Plan Act, by a vote of 220–211. President Biden signed the legislation into law on Thursday, March 11, 2021, as the latest and largest bill advanced to combat the COVID-19 pandemic. The bill provides \$1.9 trillion in stimulus, emergency pandemic relief and other spending measures.

Given the overall size of this third pandemic stimulus and relief package, the implementation process for many of the Act's provisions will likely require some time for full implementation by the Biden Administration.

From a more immediate response perspective, the new law includes a range of measures, from stimulus checks to child tax credits, jobless benefits, vaccine-distribution resources, and a variety of healthcare subsidies, to include:

- \$1,400 stimulus checks
- \$300 a week jobless benefits
- \$3,000–\$3,600 stimulus for children
- 100% COBRA subsidies
- \$14B vaccine distribution

SUMMARY OF KEY PROVISIONS

Employer & Labor Provisions:

- Provides \$300 a week in federal unemployment benefits through September 6 and makes the first \$10,200 in unemployment benefits tax-free in 2020 for households making less than \$150,000 per year.
- Does not raise the federal minimum wage.
- Extends tax credits for sick and family leave originally enacted by the Families First Coronavirus Response Act to Sept. 30, 2021. Increases the tax credit for paid family leave to \$12,000. The paid leave credits will be allowed for leave that is due to a COVID-19 vaccination. The limitation on the overall number of days taken into account for paid sick leave will reset after March 31, 2021.
- Extends the employee retention credit through the end of 2021. The employee retention credit allows eligible employers to claim a credit for paying qualified wages to employees. The employee retention credit would be allowed against the Medicare tax.
- The bill provides that targeted Economic Injury Disaster Loan (EIDL) grants received from the U.S. Small Business Administration (SBA) are not included in gross income and that this exclusion from

gross income will not result in a denial of a deduction, reduction of tax attributes, or denial of basis increase. Similar treatment is afforded SBA restaurant revitalization grants.

- Temporarily delays the designation of multiemployer pension plans as in endangered, critical, or critical and declining status and makes other changes for multiemployer plans in critical or endangered status.
- \$150 million for worker protection activities at the Department of Labor. At least half of this total is for the Occupational Safety and Health Administration. The bill reserves \$5 million of the OSHA funds for COVID-19 related enforcement in high-risk workplaces such as meat and poultry processing facilities.
- Includes \$7.25 billion in new money for the small-business loan program known as PPP and would allow more nonprofits to apply, including those groups that engage in advocacy and some limited lobbying. It also allows larger nonprofits to be eligible.
- The legislation sets aside \$5 billion of the total money to be targeted to businesses with less than \$500,000 in revenue in 2019. The bill includes another \$1.25 billion for the Small Business Administration's Shuttered Venue Operators Grant program.
- Provides \$40 million in funding for grants to promote mental health for health care providers.
- Provides additional \$8.5 billion to The Provider Relief Fund.

Tax Provisions:

- Provides individuals with a \$1,400 recovery rebate credit (\$2,800 for married taxpayers filing jointly) plus \$1,400 for each dependent for 2021.
- The recovery rebate credit phases out for taxpayers with adjusted gross income (AGI) over \$75,000 (\$150,000 for married filing jointly).
- Provides COBRA continuation coverage premium assistance for individuals who are eligible for COBRA continuation coverage between the date of enactment and September 21, 2021.
- Expands Child Tax Credit: the bill increases the amount of the credit to \$3,000 per child (\$3,600 for children under 6). The increased credit amount phases out for taxpayers with incomes over \$150,000 for married taxpayers filing jointly, \$112,500 for heads of household, and \$75,000 for others.
- The bill makes changes to the Sec. 21 child and dependent care credit, including making it refundable for 2021. The bill also increases the exclusion for employer-provided dependent care assistance to \$10,500 for 2021.
- Expands the Sec. 36B premium tax credit for 2021 and 2022 by changing the applicable percentage amounts in Sec. 36B(b)(3)(A). A special rule is added that treats a taxpayer who has received, or has been approved to receive, unemployment compensation for any week beginning during 2021 as an applicable taxpayer.
- Repeals Sec. 864(f), which allows affiliated groups to elect to allocate interest on a worldwide basis.

Public Health Provisions:

- The Centers for Disease Control and Prevention is set to receive \$7.5 billion to track, administer and distribute COVID-19 vaccines.
- Another \$46 billion would go toward diagnosing and tracing coronavirus infections, and \$2 billion would go toward buying and distributing various testing supplies and personal protective equipment.
- Provides \$7.5 billion for establishing, expanding, and sustaining a public health workforce.

Misc. Provisions:

- Provides that any student loan forgiveness passed between Dec. 30, 2020 and Jan. 1, 2026, will be tax-free.
- \$350 billion in aid to states, cities, tribal governments, and U.S. territories. These funds are designated to help replace lost tax revenue due to the pandemic.

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