

Congress Approves American Rescue Plan

Package addresses tax, health, UI benefits, direct payments, state & local funding

11 March 2021



President Biden on March 11 signed into law the American Rescue Plan Act (H.R. 1319), which includes modifications but not drastic changes to the \$1.9 trillion COVID relief plan outlined by President Biden. The minimum wage increase to \$15/hour proposed in the original plan and approved in the original House bill was omitted in the Senate bill after being ruled a violation of budget reconciliation rules. The bill includes provisions on taxes, health care, unemployment benefits, direct payments, state and local funding and other issues. About half of the \$1.9 trillion bill comprises revenue provisions that fall under jurisdiction of the congressional tax-writing committees, and over half of that is attributable to direct payments of \$1,400 and an advanceable child tax credit expansion that takes the form of periodic payments from the IRS. The tax-writing committees also had jurisdiction over main pillars of the legislation like an extension of pandemic unemployment programs and COBRA subsidies. Following is a summary of how the bill's funding is roughly allocated and of some provisions.

Step by step

Jan. 14 - President-elect Biden outlined plan a week before Inauguration Day

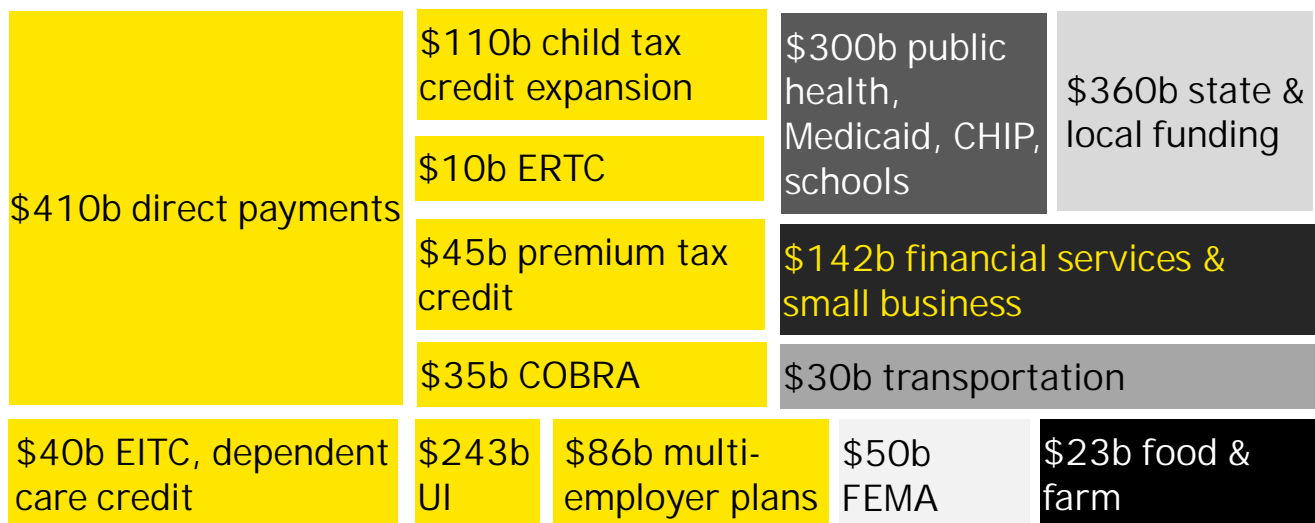
Feb. 11 - Ways & Means reported its bill (other committees acted around then)

Feb. 27 - House approved its version of the bill 219-212

March 6 - Senate approved bill 50-49 after a 24-hour overnight "vote-a-rama," half of which was spent with Democrats negotiating a UI compromise

March 10 - House approved the Senate-passed bill, 220-211

March 11 - President Biden signed the bill into law



Tax & Unemployment Insurance

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| Direct payments | \$1,400 for each taxpayer and dependent, cut off at \$80,000/individuals, \$160,000/couples |
| UI | Extension of pandemic programs through September 6, \$300/week add-on, first \$10,200 not taxable for households with incomes below \$150,000 |
| Employee Retention Tax Credit | Extended from June 30 through the end of 2021, structured as a refundable payroll tax credit against the hospital insurance tax, and expanded to “recovery startup businesses” (average annual gross receipts under \$1 million) |
| Executive compensation | Expansion of the scope of IRC section 162(m) deduction limits on executive compensation, to deny the deduction for compensation in excess of \$1 million for the eight highest paid employees, plus the CEO and CFO, at publicly traded companies, effective for tax years after 2026 |
| Worldwide interest | Repeal of the section 864(f) worldwide interest expense allocation election |
| Excess business loss | Extend TCJA’s 461(l) disallowance of excess business loss an additional year, through 2026 |
| Reporting | Reduction in 6050W third-party network transactions reporting threshold from \$20,000 to \$600 |
| Child tax credit | Refundable and advanceable child tax credit expansion to \$3,000 per child (\$3,600 under 6) that will take the form of IRS payments |
| Dependent care credit | Increases maximum credit rate to 50% and amount of eligible child and dependent care expenses such maximum credit is \$4,000 for one qualifying individual and \$8,000 for two or more |
| EITC | Increases eligibility for workers without children such that maximum credit is \$1,502 |
| Student loans | Excludes from gross income student loan debt forgiven from 2021 through 2025 |

Health Care

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| HHS pandemic-related funding | <p>Funding for the Health and Human Services Department (HHS) to respond to the pandemic includes:</p> <ul style="list-style-type: none"> • \$47.8 billion for testing and tracing activities • \$8.5 billion for vaccine activities at the CDC • \$7.66 billion to expand the public health workforce, including grants to state, local, and territorial health departments • \$7.6 billion for community health centers • \$6.09 billion for tribal health programs • \$6.05 billion to support manufacturing and purchasing vaccines • \$3 billion for block grant programs under the SAMHSA • \$1.75 billion for genomic sequencing and surveillance • \$800 million for the National Health Service Corps • \$750 million for CDC global health activities • \$500 million for the FDA to continue evaluating COVID-19 vaccines and therapeutics • \$500 million for CDC data modernization and forecasting |
| Rural provider relief | \$8.5 billion for rural health-care providers for expenses and lost revenue related to COVID-19 |
| Skilled Nursing Facility (SNF) funding | \$250 million for “strike teams” to assist SNFs and \$200 million for infection control support |
| Defense Production Act | Provides \$10 billion to use the Defense Production Act to purchase, produce and distribute medical supplies and equipment related to COVID-19 |

Health Care, cont'd

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| Medicaid provisions | <ul style="list-style-type: none"> • No-cost vaccines and treatments for a year after the pandemic ends for Medicaid and CHIP beneficiaries, as well as the uninsured. FMAP increased to 100% for vaccines during that time. • Increased FMAP by 5% for two years for states that newly expand Medicaid. • Postpartum Medicaid coverage for a year after giving birth, instead of 60 days, for five years. • 85% FMAP for first three years of covering mobile crisis intervention services, expiring after five years. • 100% FMAP for two years for services received through an Urban Indian Organization or Native Hawaiian Health Center. • Increased FMAP by 10% for home and community-based services for one year. • End a cap on the rebate that drug companies provide to Medicaid, in 2024, currently limited to 100%. • Modified disproportionate share hospital (DSH) funding to account for the 6.2% increase in prior law. |
| Medicare provisions | <ul style="list-style-type: none"> • Allow CMS to waive a requirement during the pandemic that ambulance services include transportation to a hospital to receive Medicare payments, if they didn't transport the patient because of COVID-19-related protocols. • Require CMS to reinstate a rural floor for the wage index that applies to hospitals in all-urban states. |
| ACA tax credits and cost-sharing subsidies | <p>Expands the ACA's premium tax credits for health insurance purchased through an exchange for 2021 and 2022:</p> <ul style="list-style-type: none"> • Eliminates premiums for individuals at 150% of the federal poverty level (FPL) or less, and reduces premiums for all other households. • Make households above 400% of the FPL newly eligible for premium tax credits, with a premium cap of 8.5% of income. • Allow taxpayers who receive unemployment compensation in 2021 to be eligible for the credit without any premiums. <p>Also allows individuals who receive unemployment compensation in 2021 to qualify for reduced cost-sharing under the ACA by disregarding income that exceeds 133% of the FPL for purposes of determining cost-sharing reduction amounts, which are available for 100-400% FPL.</p> |
| COBRA subsidies | <p>Subsidizes 100% of premiums for individuals eligible for COBRA continuation coverage, available through Sept. 30.</p> <ul style="list-style-type: none"> • The employer or health plan could claim a refundable tax credit against its Medicare payroll tax liability for the cost of the premiums. • Would not be available once an individual becomes eligible for coverage under another group health plan or Medicare. |

Retirement

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| Multiemployer pension support | <p>Creates an \$86 billion special financial assistance program under which cash payments would be made by the PBGC to troubled multiemployer plans. Assistance to plans would be provided in a lump sum that would be sufficient to pay all benefits due under the plan through 2051. Plans would have to apply for assistance by December 31, 2025. Eligible plans would be those in critical and declining status, plans with significant underfunding and more retirees than active employees, and plans that suspended benefits and certain insolvent plans.</p> |
| Single employer defined benefit plan funding relief | <p>Extends the current seven-year amortization period for funding shortfalls to 15 years for all plan years beginning after 2019. It would also provide further interest rate stabilization – the current 10% corridor would be narrowed to 5% for 2020 and remain at 5% until 2026. The bill would also establish a 5% floor under the 25-year average used to calculate the interest rate.</p> |
| Community newspaper funding relief | <p>Extends SECURE Act relief to certain community newspapers, by increasing the interest rate used to calculate their funding obligations and extending their amortization period, to additional newspapers.</p> |

Small Business & Financial Services

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| PPP | Increases the Paycheck Protection Program's lending authority by \$7.25 billion, to \$813.7 billion, and appropriates the same amount for the Small Business Administration (SBA) to guarantee additional loans. |
| PPP nonprofits | Expands the PPP's eligibility rules to cover most types of tax-exempt groups, including 501(c)(5) labor organizations, 501(c)(7) social and recreation clubs, and 501(c)(8) fraternal benefit societies. Religious educational groups would be permitted. 501(c)(4) social welfare groups would still be prohibited. 501(c)(3) charitable organizations, 501(c)(6) business associations and 501(c)(19) veterans organizations already qualify for PPP loans. The bill changes the PPP's rules to allow participation by 501(c)(3) groups with as many as 500 employees per location. |
| News publishers | Internet-only news outlets that were previously ineligible could receive PPP loans if they have 500 or fewer employees (or a size set by the SBA per location). They would have to certify that the funds will be used to support local news. |
| Restaurant assistance | \$28.6 billion for a Restaurant Revitalization Fund administered by the SBA. Eligible recipients would include restaurants, bars, food trucks and caterers. For 60 days after enactment, \$5 billion would be set aside for eligible entities that had gross revenue of \$500,000 or less in 2019. |
| Disaster Loans | \$15 billion for additional Economic Injury Disaster Loan (EIDL) advance payments. \$10 billion would be reserved for companies that did not get a full EIDL advance payment under the December relief bill, which include those with 300 or fewer employees that had economic losses of at 30% over a comparable eight-week period before the pandemic. \$5 billion would be reserved for new \$5,000 payments to eligible smaller companies (10 or fewer employees) with 50% economic losses during the covered period. |
| Emergency rental assistance | \$21.6 billion. The Treasury Department would give grants for emergency rental and utility assistance to states and other jurisdictions with at least 200,000 people, with each state plus the District of Columbia receiving at least \$152 million and \$2.5 billion reserved for "high-need grantees." Each grantee must receive at least 40% of its allocation within 60 days of enactment. Households would qualify for assistance if they qualified for unemployment benefits, received an eviction notice or have household income that doesn't exceed 80% of the area median income, among other criteria. Funds for grantees would remain available through Sept. 30, 2025. |
| Homelessness | \$5 billion to allow state and local governments to finance supportive services, affordable housing, and the acquisition of non-congregate shelter (such as hotels) for people currently experiencing homelessness. |
| Homeowner assistance funding | More than \$10 billion, including \$9.96 billion to states, territories and tribes to provide direct assistance with mortgage payments, property taxes, property insurance, utilities and other costs for homeowners struggling due, directly or indirectly, to the impacts of the pandemic. Covered mortgages would include those with an unpaid principal balance at the time of origination that was less than a loan limit set by the Federal Housing Finance Agency. Each state, along with the District of Columbia and Puerto Rico, would receive at least \$50 million. |
| State Small Business Credit Initiative | \$10 billion, supporting up to \$100 billion in small-business financing through state government programs, including up to \$2.5 billion to support businesses owned by socially and economically disadvantaged individuals, including minorities. |
| Airline industry assistance | \$15 billion, extending the Payroll Support Program (PSP3) for airline workers and related contract workers through September 30, 2021. PSP3 would provide \$14 billion to support eligible air carrier workers and \$1 billion for workers of eligible contractors. |

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