
Covid-19 – American Rescue Plan Act of 2021

The American Rescue Plan Act of 2021 (ARPA) was signed into law by President Joe Biden on March 11, 2021. This new legislation, with a cost of \$1.9 trillion, has several key goals, including (1) supplying additional resources to directly combat the Coronavirus pandemic; (2) offering aid and support to those negatively affected by Covid-19; and (3) providing additional economic stimulus for the American economy.

ARPA is the third major economic relief and stimulus effort on the part of the federal government. In April 2020, the federal government tackled the Coronavirus pandemic with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and then continued these efforts with the Consolidated Appropriations Act, 2021 (CAA) in December.¹

Notable Elements of the ARPA

- **Economic Impact Payments (EIP):** Following the \$600 per person EIP authorized by the CAA, the ARAP provides an additional \$1,400 per person in direct cash payments. For example, a qualifying family of four would receive \$5,600. The payments are phased out for taxpayers with incomes above certain limits.
- **Extension of Federal Expanded Unemployment insurance:** Through March 14, 2021, the CAA provided an additional \$300 per week for all workers receiving unemployment benefits, as well as extending the Pandemic Unemployment Assistance program (covering “gig” workers and other in non-traditional employment), and the Pandemic Emergency Unemployment Compensation program, for those who have exhausted their regular state unemployment benefits. The ARPA extends all of these unemployment benefits through September 6, 2021.
- **Combatting the Coronavirus:** ARPA includes approximately \$50 billion for the Federal Emergency Management Agency (FEMA) for vaccine distribution, \$6.05 billion for the research, development, manufacturing, and purchase of vaccines, \$47.8 billion for COVID-19 testing, contact tracing, and other mitigation activities, and \$1.75 billion for SARS-CoV-2 genomic sequencing and surveillance.

¹ Total Coronavirus spending under the CARES Act was approximately \$2.2 trillion. The Consolidated Appropriations Act, 2021 devoted approximately \$900 billion to Coronavirus relief and economic stimulus.

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Notable Elements of the ARPA (continued)

- **Support for Healthcare:** The ARPA provides increased support for healthcare, including (1) premium subsidy increases for those who purchase health insurance on the PPACA marketplace; (2) additional financial incentives to states which have not expanded Medicaid coverage, to encourage them to do so; and (3) subsidizing 100% of COBRA premiums for 6 months for those who lost employment or reduced hours.
- **Housing Support:** The Act provides some \$45 billion in rental and mortgage relief, as well as utility assistance, for tenants and homeowners. The Act also includes funding to aid those experiencing homelessness.
- **Nutrition Support:** The ARPA extends the 15% increase in the Supplemental Nutrition Assistance Program (SNAP) program through September 30, 2021. ARPA also provides parents of children who would normally receive school meals in person, with the value of those missed school breakfasts and lunches.

Income Tax Changes of Interest to Individuals

The ARPA includes changes to the federal¹ income tax code applicable to individuals:

- **Earned Income Tax Credit (EITC) for Childless Individuals:** For 2021 only, the Act increases the credit amount and allows more childless individuals to claim it. Permanent changes include increasing the investment income limit and allowing spouses who are separated to be treated as unmarried for purposes of the EITC.
- **Expanded Child Credit:** For 2021 only, the ARPA increases the maximum age for a qualifying child from 17 to 18, increases the maximum credit amount from \$2,000 to \$3,000 (\$3,600 for children under age 6), increases the number of taxpayers who are eligible to have the credit be fully refundable, and provides for advance payment of the credit via monthly payments during the last six months of 2021.
- **First \$10,200 of Unemployment Non-Taxable in 2020:** The Act allows a taxpayer to exclude from taxable income up to \$10,200 of unemployment income (\$10,200 *per spouse* if using the MFJ status), for taxpayers with an Adjusted Gross Income (AGI) less than \$150,000. This change applies *retroactively* to 2020.

¹ The discussion here concerns *federal* income tax law; state or local income tax law may differ.

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Income Tax Changes of Interest to Individuals (continued)

- **Child and Dependent Care:** For 2021 only, the ARPA modifies the Child and Dependent Care Credit by making the credit fully refundable, boosting the dollar amount of qualifying expenses, raising the percentage of expenses that qualify, and increasing the credit phaseout threshold. Separately, the Act also increases the amount of employer-provided dependent care assistance excludable from taxable income.
- **Student Loan Debt Forgiven:** One provision of the Act allows an individual to exclude from taxable income the discharge or cancellation of qualifying student loan debt, for debt forgiven or cancelled in 2021-2025.

Act Sections of Interest to Business

- **Paid Sick and Family Leave:** For April 1, 2021 through September 30, 2021, the Act allows a qualified employer to claim a refundable credit against 100% of the employer's portion (1.45%) of the Medicare (HI) tax for qualifying paid sick and family leave. A comparable credit is available to self-employed individuals.
- **Employee Retention Credit:** For wages paid after June 30, 2021 and before January 1, 2022, the ARPA includes a refundable credit against 70% of the employer's portion (1.45%) of the Medicare (HI) tax for qualifying wages paid. Generally, qualifying businesses include those whose operations were shut down by government order or whose gross receipts declined by 20%.
- **Expanded Paycheck Protection Loan Program (PPP) Eligibility:** The Act provides an additional \$7 billion to extend the PPP to certain non-profit organizations not previously included.

Other Act Provisions

Many sections of the ARPA contained spending aimed at specific goals:

- **Local Government Support:** The Act provides some \$350 billion, directed to states, territories, tribes, and local governments to respond to the Covid-19 pandemic, offset revenue losses, and support economic recovery.

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Other Act Provisions (continued)

- **Targeted Industries:** ARPA includes funding for specific sectors of the economy, including \$28.6 billion to support restaurants, \$8 billion for airports, \$1.5 billion for Amtrak, \$15 billion for U.S. airlines, and \$3 billion to support payroll programs in the aerospace industry.
- **Child Care Support:** The Act provides some \$39 billion to support childcare, as well as \$1 billion for the Head Start program.
- **Support for Education:** ARPA dedicates some \$130 billion to K-12 schools, to allow them to re-open safely. An additional \$40 billion is targeted at colleges and university, with at least 50% of that going to student emergency financial aid grants.

Online Resources

Online resources that may be helpful include:

In general: <https://www.coronavirus.gov/>

<https://www.usa.gov/coronavirus/>

U.S. Department of Education: <https://www.ed.gov/coronavirus?src=feature>

U.S. Department of Housing and Urban Development: <https://www.hud.gov/coronavirus>

Internal Revenue Service: <https://www.irs.gov/coronavirus-tax-relief-and-economic-impact-payments>

U.S. Department of Labor: <https://www.dol.gov/coronavirus>

U.S. Small Business Administration: <https://www.sba.gov/page/covid-19-guidance-resources>

Seek Professional Guidance

The foregoing is a highly simplified overview of some of the provisions in the American Rescue Plan Act of 2021. To receive maximum benefit from this legislation, the advice and guidance of trained, experienced professionals is highly recommended.