



THE AMERICAN RESCUE PLAN ACT OF 2021

Mar 11, 2021 | Sherri Warner

Update: President Biden signed The American Rescue Plan Act on March 11, 2021

On Wednesday afternoon, Congress passed The American Rescue Plan Act of 2021, a broad, comprehensive policy response to the challenges brought on by the COVID-19 pandemic. The bill is a combination of targeted funding and changes to policy and programming. The Rescue Plan provides relief to some of the populations hit hardest by the pandemic while also piloting new policy initiatives that members of Congress may ultimately seek to make permanent in subsequent legislation. Additional details are below.

Aid to State & Local Governments

The Rescue Plan allocates \$350 billion to state and local governments intended to mitigate the pandemic's harm on their budgets and economies. The State of Ohio will receive about \$10 billion in state and local aid. This funding will be available through December 31, 2024.

This legislation expands allowable costs to include replenishing lost revenue (something the CARES Act had prohibited). An additional difference: the threshold for direct payments to local governments has been set at 50,000 people. 50 percent of the funding must be distributed within 60 days of the bill's enactment, and the remainder must be distributed one year later. Cities will receive aid amounts in excess of 75% of their January 2020 budgets.

States and local governments are prohibited from using the money to fund pensions or to offset tax cuts enacted after March of this year. Allowed users include:

- Direct aid to households
- Support of local nonprofits
- Support of local small businesses
- Support of specifically hard-hit industries including travel and tourism
- Investments in sewer, water and broadband infrastructure

The Rescue Plan also allocates funding to District of Columbia, U.S. territories, tribal governments and provides direct funding of Coronavirus Capital Projects.

Financial Assistance to Individuals & Families

The Rescue Plan will provide direct cash assistance to individual Americans as well. The plan includes \$1,400 for individuals and \$2,800 for joint filers, with an additional \$1,400 for each qualifying dependent (defined as full-time students younger than 24).

- Individuals with AGI < \$75,000: \$1,400 cash payment
- Joint filers with AGI < \$150,000: \$2,800 cash payment
- Head of households with AGI < \$112,500: \$1,400 cash payment

The payment is then gradually adjusted (inverse to income) and phased out entirely for those making over \$80,000 for individuals, \$160,000 for joint filers and \$120,000 for head of household.

The Rescue Plan makes several changes to **federal tax credits applicable to individuals and families**. Notably:

- **Earned Income Tax Credit:** Raises the credit amount for adults without children and expanding age limits





- **Child Tax Credit:** Raises the credit amount to \$3,000 for children 6-17 and \$3,600 for children under six years. Additionally, it makes the credit fully refundable. Payments of this credit will occur monthly (rather than claiming the credit when income taxes are filed).
- **Child and Dependent Care Credit:** Increases the value of the credit to include to 50% of expenses (<\$8,000 for one dependent or <\$16,000 for two dependents).
- **Student Loans:** Clarifies that any student loan forgiven or discharged will not be considered income for income tax purposes for tax years 2021-2025.

Additional Safety Net Programs

The Rescue Plan extends unemployment benefits through September 6, 2021. This includes extending the Federal Pandemic Unemployment Compensation (FPUC) to provide \$300 a week on top of other benefits until September 2021.

The Plan exempts the first \$10,200 in unemployment benefits from federal income tax, so long as filers' household income is below \$150,000 for the 2020 tax year.

Increased SNAP benefits, which were to expire on June 30, 2021, will be extended to September 30 of this year, providing a 15% increase for those who qualify. Additionally, there is an increase in the cash value voucher for the **Special Supplemental Nutrition Program for Women, Infants & Children (WIC)**.

K-12 Education

The Rescue Plan allocates **\$122.7 billion for schools serving students K-12**. Funding will continue to be available until September 2023 and must be distributed by individual state governments. The funds are to be used as follows:

- Amelioration of learning loss (minimum: 20% of each school's total allocation)
- Personal protective equipment (PPE)
- Support staff related to the promotion of student health and well-being
- Facility upgrades (especially those related to ventilation systems and to enable social distancing)
- After-school activities
- Summer learning programs

The Rescue Plan includes maintenance of effort provisions which prohibit states from using these funds to supplant state revenues.

In addition to the funding listed above, the Plan provides:

- \$3 billion to support students with special needs
- \$2.75 billion for non-public schools, targeted towards those which enroll significant numbers of low-income students
- \$800 million to fund wrap-around services for youth experiencing homelessness
- \$850 million for Bureau of Indian Education-operated K-12 schools (as well as Tribal Colleges and Universities)
- \$7 billion to reimburse schools and library systems which previously paid for internet access and connected devices including hotspots, routers and modems.

Higher education will receive funding through the Plan as well. \$36 billion has been allocated to public and private non-profit institutions available until September 2023. 50% of the allocation must be spent on emergency financial aid and grants to students. The Plan includes a dedicated \$3 billion for **historically Black Colleges and Universities (HBCUs), tribal colleges and other minority-serving institutions**.

Health/Human Services

The Rescue Plan invests over \$50 billion in funding for the CDC and state and local health departments as they





continue fighting the virus. This money will support vaccine activities and distribution along with testing and contact tracing. Other healthcare expenditures include:

- \$20 billion to fund community health centers and Indian Health Services and to provide block grants for Substance Abuse and Mental Health.
- \$450 million to skilled nursing facilities for costs associated with the pandemic.
- \$14.4 billion to the VA to provide healthcare to eligible veterans.

The Plan changes certain requirements intended to make access to healthcare coverage easier and more affordable. Grants are provided to states to modernize the health insurance marketplace and additional tax credits are available for those purchasing healthcare through an exchange.

The Act provides billions of dollars for childcare through block grant distributions, including \$15 billion for Child Care and Development Grants and \$24 billion for a new child care stabilization grant. It also includes \$1 billion for Head Start funding and increased funding for home visiting programs targeting new mothers and children along with money to prevent family violence and child abuse. Additional support for post-partum women is provided as the Act permits states to file a state plan option allowing women to maintain Medicaid eligibility for up to 12 months after the birth of their baby. For older Americans there is \$1.4 billion invested in the Older Americans Act.

Housing/Energy Assistance

The Act distributes more than \$27 billion to emergency rental assistance programs, \$5 billion to assist homeless individuals and \$9.9 billion for homeowner assistance. There is also \$4.5 billion for low-income home energy assistance programs and \$500 million for low-income household drinking water and wastewater assistance.

Small Business Assistance

The Paycheck Protection Program, which provides small businesses with funds to pay up to eight weeks of payroll costs including benefits, will receive an additional \$7.25 billion in federal funds through the Rescue Plan, and an increased number of non-profits will become eligible for the program.

The Rescue Plan includes \$15 billion for businesses located in low-income communities. Qualifying businesses must have < 300 employees must have lost more than 30% of their gross receipts due to COVID-19.

Restaurants and bars will receive \$25 billion in assistance. The Rescue Plan includes grants intended to cover pandemic-related revenue loss. These grants will be limited to \$10 million per entity, or \$5 million per location.

The Rescue Plan makes several changes to **federal tax credits applicable to businesses**. Most notably:

- **Employee Retention Credit under the CARES Act:** Extends the credit to December 2021.
- **Small business paid leave tax credit (under the Families First Coronavirus Response Act):** Extends the credit to December 2021.

The Act also includes funding for these federal agencies:

- **Agriculture** - \$3.6 billion to support food supply chain and \$1 billion to improve land access to socially disadvantaged farmers along with loan modifications and payments to farmers who are members of socially disadvantaged groups.
- **EPA** - \$100 million to provide grants to address environmental harms in minority and low-income populations.
- **Labor** - \$2 billion to support programs that integrate and timely distribute unemployment benefits.
- **Homeland Security** - \$50 billion to FEMA for continued disaster relief
- **Transportation** - \$30 billion for grants to transit agencies, \$8 billion for airports and airport concessions \$18 billion for airlines & aviation manufacturers and \$1.7 billion to Amtrack





The legislation's passage is a significant victory for the Biden White House, which is still working to stabilize an economy struggling to rebound from the COVID-19 pandemic. The bill now heads to President Biden who has announced that he will sign this on Thursday, March 11th.

If you have any questions or want additional information on any of these programs, please reach out to one of the Roetzel Attorneys.

Sherri Warner

Of Counsel

614.723.2110 | swarner@ralaw.com

Lewis W. Adkins

Shareholder, Shareholder-in-Charge of Development & Practice Integration

216.615.4842 | ladkins@ralaw.com

