

# The American Rescue Plan – Key Details of the New Stimulus Package

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The House of Representatives passed a final version of H.R. 1319, the American Rescue Plan Act of 2021 (ARPA), on March 10, 2021. This version of the bill has now passed both the House and Senate and was signed by President Biden on March 11, 2021. Among a broad array of stimulus provisions, the legislation includes an extended timeframe for the employee retention credit through the end of 2021, as well as credits for paid family and sick leave for employees and dependent children. There are also enhancements to the PPP loan program, and additional assistance availability to shuttered venue operators and restaurant businesses.

This article updates our [previous article](#), which covered the original version of the bill before changes were made in the Senate. A brief summary of the tax highlights of ARPA follows.

## Expanded Employee Retention Credit

The Employee Retention Credit (ERC) is a refundable credit against employment taxes paid by employers whose businesses experienced and are still experiencing a full or partial shut down by government order or a significant decline in gross receipts. The ERC was part of the initial CARES Act legislation and received a broad expansion under the [Consolidated Appropriations Act of 2021](#) at the end of 2020. It was set to expire at the end of the second quarter of 2021, but is now extended by ARPA through the end of 2021. The credit remains fully refundable.

ARPA places a limit on the ERC at \$50,000 per quarter for “recovery startup businesses” (businesses which began operations after February 15, 2020 and which meet a gross receipts threshold). ARPA also clarifies that amounts used from proceeds of shuttered venues assistance and restaurant revitalization grants are not eligible for the ERC.

## Small Business Relief Provisions

ARPA increases the funds available for the Paycheck Protection Program by \$7.3 billion and extends it to additional nonprofit organizations, including 501(c)(5) labor organizations, 501(c)(7) social and recreational clubs and 501(c)(8) fraternal societies with not more than 300 employees per location and that receives and spends less than 15% of its revenue and expenses on lobbying activities. It also expands eligibility to charitable and certain other nonprofit organizations with not more than 500 employees per physical location (the prior limit was 500 employees, including affiliates). Internet-only publishing companies that were not previously eligible for a PPP loan, with a NAICS code of 519130, that are engaged in the collection and distribution of local or regional and national news and information, will also become eligible under ARPA as long as they employ not more than 500 employees per physical location.

ARPA appropriates \$15 billion to Targeted EIDL (Economic Injury Disaster Loan) Advances. Of the total appropriation, \$10 billion is allocated to small businesses with fewer than 300 employees that are located in a low-income community and suffered a 30 percent or more economic loss over a comparable 8-week pre-pandemic period and that did not receive a full EIDL advance payment under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act). The remaining \$5 billion is allocated to small businesses with not more than 10 employees that are located in a low-income community and suffered a greater than 50 percent loss. These businesses will be eligible for an additional advance of \$5,000.

ARPA also establishes a \$28.6 billion Restaurant Revitalization Fund to provide grants to restaurants, food trucks, caterers, bars and similar establishments with not more than 20 locations. The grant is equal to the decline in gross receipts from 2019 to 2020 (the pandemic-related revenue loss), not to exceed \$5 million per physical location and \$10 million for an affiliated group. The funds may be used to cover payroll costs, mortgage principal and interest, rent, utilities, maintenance, supplies and certain construction costs incurred between February 15, 2020 and December 31, 2021. During the first 60 days after enactment, grants will be available only to eligible entities with 2019 gross receipts of not more than \$500,000. After the initial 60-day period, grants may be made to any eligible entity regardless of annual gross receipts.

### **Extension of Credits for Enhanced Paid Sick Leave and Family Leave**

ARPA extends the Emergency Paid Sick Leave Act (EPSLA) and the Emergency Family and Medical Leave Expansion Act (Expanded FMLA) provisions of the Families First Coronavirus Response Act (FFCRA) through the end of September, while also extending the tax credits provided to employers who make payments to employees under those programs. Leave days for COVID vaccinations are now eligible for the credit.

ARPA also allows an increase in the amount of the maximum credit per employee in a year, from \$10,000 to \$12,000, and resets an employee's maximum number of leave days after March 31, 2021.

### **Other Provisions**

ARPA also includes:

- For 2020, up to \$10,200 of unemployment benefits are excluded from taxable income for individuals or married couples with adjusted gross income under \$150,000
- Additional stimulus checks of \$1,400, with eligibility for individuals with adjusted gross income below \$80,000 (\$160,000 for married couples)
- Exclusion from income for discharges of student loan indebtedness from 2021 through 2025
- Expansions to the Child Tax Credit, Earned Income Tax Credit, and Dependent Care Tax Credit
- Extension of key unemployment programs through September 6<sup>th</sup>, past their current March 14 expiration date, at \$300 per week

It is worth noting what ARPA does not include – there are no increases in the individual or corporate income tax rates, no increases to capital gains tax rates, and no changes to the estate and gift tax transfer tax rules. While President Biden has made proposals regarding these areas (detailed in [prior updates](#)), they do not appear to be a part of any immediate legislation.

ARPA also does not include an increase in the federal hourly minimum wage. While it was a part of the original House bill, it has been removed from the final version.

*This is part of a continuing series updating our clients regarding the effects on tax filings due to COVID-19. Please find our prior articles as part of PKF O'Connor Davies' COVID-19 Resource Center [here](#).*

### **Contact Us**

PKF O'Connor Davies is monitoring the situation in Washington and as it changes we will keep you informed.

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