



## Summary and Analysis of Key Economic Provisions in The American Rescue Plan

*As passed by the Senate on Saturday, March 6, 2021 and scheduled for a  
final vote in the House of Representatives on March 10, 2021*

### Tax Policy

- **Aggregate relief.** The American Rescue Plan, as passed by the House and amended by the Senate, bill provides \$651 billion in tax cuts, offset by \$62 billion in tax increases. All of the tax relief essentially is delivered in 2021 (\$468 B) and 2022 (\$161 B). ([JCT revenue table](#))
- **Recovery rebates.** Two-thirds of the tax relief is from additional recovery rebates of \$1400/person. The full \$1400 rebate would be available for a taxpayer, the taxpayer's spouse, and the taxpayer's dependents. The rebates phase out between \$75K - \$80K for singles and \$150K - \$160K for married couples. The recovery rebates were scaled back modestly in the Senate by \$11.7 B (or 2.7% of the cost) by accelerating the income phase-outs.
- **Child tax credit.** The other major tax cut is a one-year, \$109 billion expansion of the child tax credit for 2021. The credit would be increased from \$2000 to \$3600 for children under the age of 6 and from \$2000 to \$3000 for children age 6 through 17. The credit would be made fully refundable, and Treasury would advance one-half of the credit amount on a monthly basis, pro-rata, beginning in July 2021. The other half of the credit would be claimed on the taxpayer's 2021 tax return. An online portal will be made available so that taxpayers can opt out of advanced payments of the credit. The additional child credit amount would phase out for singles with incomes over \$75K and married couples with incomes over \$150K.
- **Other provisions.** Additional significant tax provisions include: (1) a two-year expansion of the Obamacare health insurance subsidies (\$45 B); (2) a tax credit for the full cost of maintaining employer-provided health coverage (COBRA benefits) through Sept. 2021 for workers who lose their jobs (\$35 B); (3) a mix of temporary and permanent reforms of the earned income tax credit (\$25 B); (4) an extension of the employee retention credit through the end of 2021 (\$10.2 B); (5) a one-year expansion of the child and dependent care tax credit (\$8 B); (6) an extension of paid sick and emergency leave credits through Sept. 2021 (\$6.2 B); and (7) an exclusion from income for student loan debt forgiveness occurring between 2021 and 2025 (\$44 M).
- **Business tax relief.** At this time, there is virtually no business tax relief in the legislation. One exception is the bill would clarify that Restaurant Revitalization Grants and SBA economic injury disaster (EIDL) grants, which are excluded from income, do not result in the denial of a deduction, the reduction of tax attributes, or the denial of an increase in basis of property. *This taxpayer-favorable provision should further strengthen RER's argument for excluding COD income from tax during the pandemic, particularly since RER has explicitly proposed that the exclusion be accompanied by offsetting adjustments to tax attributes.*

RER is also urging Congress to enact [the Retail Revitalization Act \(H.R. 840\)](#) in its relief effort. This bill would save thousands of retail jobs by allowing REITs to make equity investments in struggling tenants without violating current related-party rent rules. The bipartisan bill is cosponsored by a growing list of Ways and Means Committee Members.

- **Revenue offsets.** The revenue offsets in the reconciliation bill would (1) permanently repeal worldwide interest allocation rules that were enacted in 2004 but never allowed to take effect (\$22 B); (2) extend the amortization period for pension plans, thus reducing deductible pension contributions by employers (\$23 B); (3) reduction in the tax information reporting threshold for credit card and other third-party payments from \$20K to \$600 (\$8.4 B); (4) limit the deductibility of executive compensation in excess of \$1 million paid to the top 10 employees of publicly traded companies starting in 2027 (\$7.8 B); and (5) extend for one year, through 2026, the \$250K limitation on the deductibility of the active losses of a pass-through business.
- **Economic impact of tax provisions.** The American Rescue Plan would be the largest one-year tax cut in the modern income tax era. The legislation would essentially cut Americans' aggregate individual income tax liability by 30 percent in 2021 ([\\$468 B reduction](#) out of a [\\$1.57 T individual income tax base](#)). The tax cut alone (not including all the spending provisions) is roughly 2.1 percent of the [projected calendar year 2021 GDP \(\\$22.2 T\)](#).
- The legislation largely eliminates income taxes altogether in 2021 for singles making under \$75K and married couples making under \$150K, particularly if the taxpayer has children (in 2018, [taxpayers making under \\$152K -- 90% of all taxpayers -- paid \\$440 B in federal income taxes](#)).
- To give some context to the tax cuts in the budget reconciliation bill, RER modeled the household-level benefits for a couple scenarios:

**Example #1 – Family of five**

- Married couple with children ages 2, 4, and 7
- Annual income of \$125,000
- Annual child care expenses of \$15,000
- Tax benefits from the House-proposed budget reconciliation bill
  - Recovery Rebates: \$7,000 (\$1400 x 5)
  - Enhanced child tax credit: \$4,200 (\$1600 x 2; \$1,000 x 1)
  - Enhanced child and dependent care tax credit: \$6,300 (current credit is 20% of \$6,000; enhanced credit is 50% of \$15,000)
  - **Total tax benefit in 2021: \$17,500**

**Example #2 – Single working parent**

- One child, age 9
- Annual income of \$60,000
- Annual after-school and summer child care expenses: \$8,000
- Tax benefits from the House-proposed budget reconciliation bill
  - Recovery rebates: \$2,800 (\$1400 x 2)
  - Enhanced child tax credit: \$1,000

- Enhanced child and dependent care tax credit: \$3,400 (current credit is 20% of \$3,000; enhanced credit is 50% of \$8,000)
- **Total tax benefit in 2021: \$7,200**

### **Residential Rental Assistance**

- The American Rescue Plan, as amended, provides \$21.55 billion for rental housing assistance through Sept. 30, 2027.
- Similar structure to the \$25 billion of rental assistance provided in the December omnibus legislation:
  - Funds allocated to States as grants
  - States can provide assistance to “eligible households” for rent, rent arrears, utility costs and arrears, and “other expenses related to housing”
  - Maximum amount of assistance a household may receive (inclusive of omnibus bill) is 18 months of rent, etc.
  - Rental assistance is not “income” for tax purposes
  - Eligible household must have suffered a financial hardship (person in household qualifies for unemployment or has experienced a reduction in income “directly or indirectly” due to the pandemic), or qualify as a “low income family” (income at 80% area median income)
  - \$2.5 billion set aside for high-need grantees (*e.g.*, those spending more than 50% of their income on rent)

### **Emergency Housing Vouchers**

- The American Rescue Plan provides an additional \$5 billion for Section 8 “tenant-based” vouchers (as opposed to Section 8 “project-based vouchers”).
  - Qualifying individuals are those who are homeless, at risk of homelessness, or fleeing domestic violence
  - Similar to Section 8, administered by public housing agencies

### **Homeowner Assistance Fund**

- The American Rescue Plan provides \$9.9 billion to help prevent foreclosure or eviction of homeowners due to the COVID pandemic.
  - Funds may be used to assist with mortgage payments, utilities, internet service, property taxes, insurance, and HOA fees, and to help reinstate mortgages in forbearance or default
  - Administered by Treasury (not HUD)
  - Not less than 60% of the fund must “target” assistance to homeowners with incomes equal to or less than 100% of the area median income
  - Eligible mortgages must meet Fannie Mae confirming loan limits—for 2020, the general limit is \$510K for a single-family home, increasing up to \$765K in certain “high cost” areas

## **Residential Tenant Eviction Moratorium and Forbearance for Mortgages on Multifamily Properties**

- No extension of the current eviction moratorium or provision related to mortgage forbearance for the owners of multifamily properties is included in the House bill.
- It is possible that a provision related to the eviction moratorium or mortgage forbearance would violate the requirements of the Congressional Byrd Rule that apply to budget reconciliation legislation.

## **Restaurant Revitalization Fund**

- The American Rescue Plan, as amended, provides \$28.6 billion for assistance for restaurants and other food and drinking establishments, including “inns”
- Grants (not loans) of up to \$10 million per entity
  - o No more than \$5 million per physical location
  - o Publicly traded companies and entities with more than 20 locations do not qualify (including affiliated businesses and regardless of whether the establishments operate under different names)
- Grant amount is equal to gross receipts in 2019 minus gross receipts in 2020, with special rules for businesses not in operation in 2019
- Funds may be used for payroll, rent, mortgage, utilities, food and beverage expenses, supplies, and operational expenses
- Priority given to restaurants owned and operated by women, veterans, or socially and economically disadvantaged individuals

## **Mass Transit**

- The American Rescue Plan provides \$26.1 billion in grants to transit agencies for operating expenses to prevent, prepare for and respond to COVID, and for payroll.
- Funds are allocated to “urbanized areas” based on a formula grant calculation.

## **Unemployment Benefits**

- The American Rescue Plan, as modified, includes \$242 B to extend and expand until Sept. 6, 2021 many of the enhanced unemployment compensation benefits and programs created last year and currently scheduled to expire on March 15, 2021. Among the changes, the bill extends the additional \$300/week in emergency unemployment benefits (reduced from House-proposed \$400/week). The legislation retains special programs created for the self-employed, those unable to work because of COVID-19, and others.

## **Paycheck Protection Program**

- The American Rescue Plan includes \$7.25 billion in additional PPP lending authority and expands PPP eligibility to a broader category non-profit entities.

## **Aid to State and Local Governments and Educational Institutions**

- The American Rescue Plan includes \$350 billion in direct aid to State, tribal, and local governments to mitigate the fiscal effects of COVID-19.

- Separately, provides \$130 billion for K-12 schools to update their ventilation systems, reduce class sizes, and hire support staff and \$40 billion to colleges and universities to address COVID-related expenses and provide emergency financial aid grants to students.

### **Federal Minimum Wage**

- The American Rescue Plan, as modified by the Senate, does not include the House proposal to increase the federal minimum wage from \$7.25/hour to \$15.00/hour. The Senate Parliamentarian determined the minimum wage increase violated special rules that apply to privileged budget reconciliation bills in the Senate. Congressional Democrats are using the reconciliation process to avoid a potential Republican filibuster and 60-vote requirement in the Senate.