

An Overview of The American Rescue Plan

On March 11, 2021, President Biden signed The American Rescue Plan Act of 2021, a complex, broad-sweeping piece of legislation that provides economic stimulus relief payments to individuals, businesses, and state and local governments who continue to be impacted by the COVID-19 pandemic. The American Rescue Plan is a separate source of funding than the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that was signed into law on March 27, 2020.

Similar to the CARES Act, Section 9601 of the American Rescue Plan provides direct stimulus payments to individuals based on their 2019 or 2020 tax returns. Specifically, the American Rescue Plan provides funding to distribute relief payments of \$1,400 for individuals, \$2,800 for joint filers, and \$1,400 for each qualifying dependent. The payments begin to phase out for individuals with an adjusted gross income (AGI) of \$75,000 (or \$150,000 for couples). Individuals with an AGI of \$80,000 or more (or couples with an AGI of \$160,000 or more) will not be eligible to receive stimulus payments. Qualifying dependents may include full-time students younger than 24 and other adult dependents. The Internal Revenue Service (IRS) announced that it scheduled over \$90 million in stimulus payments to be sent out by March 17, 2021.

The American Rescue Plan also provides unemployment benefits similar to those provided under the CARES Act. For example, Section 9011 of the American Rescue Plan extends the Pandemic Unemployment Assistance (PUA) enacted under the CARES Act from March 14, 2021 through September 6, 2021. The new legislation mandates that employees are now able to collect benefits for up to 79 weeks if they are unable to return to work. Those collecting unemployment benefits will not be subject to federal income taxes on the first \$10,200 received in 2020 if their annual income falls below \$150,000.

State and local governments will also receive relief from the American Rescue Plan. Section 9901 provides states and local governments with \$219.8 billion, available through December 31, 2024, for states, territories, and tribal governments to mitigate the financial consequences of COVID-19. Of that sum, \$195.3 billion is set aside for direct federal aid to states and the District of Columbia, \$4.5 billion for payments to territories, and \$20 billion for payments to tribal governments. The legislation provides an additional \$130.2 billion, to remain available through December 31, 2024, for metropolitan cities, municipalities and counties.

Funds provided for state governments, metropolitan cities, municipalities and counties may be used as follows: (1) to respond to COVID-19 and its negative economic impacts, including assistance to households, small businesses and nonprofits, or to provide aid to negatively impacted commercial industries; (2) to respond to essential employees during the public health emergency by providing them with premium pay of up to \$13 an hour in addition to regular wages, or providing grants to eligible employers; (3) to provide government services to the extent of the reduction in revenue of states, territories or tribal governments due to the public health emergency; and (4) to invest in water, sewer, or broadband infrastructure.

States and territories may not use these funds to directly or indirectly offset a reduction in their net tax revenue resulting from a change in law, regulation or administrative interpretation during the covered period reducing or delaying any tax or tax increase. States, territories, metropolitan cities, municipalities and counties also may not use these funds for deposit into any pension fund. Any state, territory, tribal government, metropolitan city, municipality, and county receiving payments must submit a "periodic report" detailing the accounting of the use of funds.

There are numerous additional economic stimulus funding provisions in the American Rescue Plan, and it is essential that the legislation be carefully reviewed to confirm all possible sources of financial benefit. We anticipate that the various applicable federal agencies will provide guidance on the application of the American Rescue Plan, similar to how they provided insight for relief under the CARES Act, and we will keep you advised in that regard.

Please contact the authors of this Alert with questions concerning the American Rescue Plan or to discuss your specific circumstances.

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