

Employer's Overview of The American Rescue Plan of 2021

What are the changes and new provisions?

Increase in exclusion for Employer Provided Dependent Care Assistance from \$5,000 to \$10,500 for calendar year 2021. This cap amount should be maintained in your payroll system and updated on all dependent care earning codes.

Extension of the Employee Retention Credit to 1/1/2022. The Employee Retention Credit was originally enacted in the CARES Act (Mar 2020) and it allows eligible employers to claim a credit for paying qualified wages to employees. The credit remains fixed at 70% of qualified wages up to \$10,000 per calendar quarter. The credit was set to expire July 1, 2021. It can now be taken by eligible employers until January 1, 2022. The newly enacted Employee Retention Credit provisions take effect July 1, 2021. New provisions include:

- Credit allowed against Sec. 3111(b) Medicare tax.
- Expanded eligibility for the credit to new startups that were established after Feb. 15, 2020.

Expansion and Extension of Emergency Paid Sick Leave and Emergency Paid Family Leave Paid Leave Credits to 9/30/2020.

Extending FFCRA leave to employees is optional - employers are not required to provide Emergency Paid Sick Leave (EPSL) or Emergency FMLA (EFMLA) leave under the Rescue Plan.

Employers who choose to voluntarily continue FFCRA may claim tax credits under FFCRA for qualified wages paid for emergency sick leave and emergency family medical leave from April 1, 2021 to September 30, 2021.

Employee eligibility for leave resets April 1, 2021 and may be taken for any of the following reasons (7-9 are new):

1. Is subject to a federal, state, or local quarantine or isolation order related to COVID-19;
2. Has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
3. Is experiencing symptoms of COVID-19 and seeking a medical diagnosis;
4. Is caring for an individual who is subject to either number 1 or 2 above;
5. Is caring for his or her child if the school or place of care of the child has been closed, or the child care provider of such child is unavailable, due to COVID-19 precautions;
6. Is experiencing any other substantially similar condition specified by the secretary of health and human services in consultation with the secretary of the treasury and the secretary of labor;
7. Is obtaining immunization related to COVID-19;

8. Is recovering from any injury, disability, illness, or condition related to such COVID-19 immunization; or
9. Is seeking or awaiting the results of a diagnostic test or medical diagnosis for COVID-19 and the employee has been exposed to COVID-19 or their employer has requested such a test or diagnosis.

The amount of eligible emergency paid sick leave (ESL) for an employee remains the same at \$511 per day for a maximum of 10 days (\$5,110); and emergency leave for caring for a family member (EFSL) is unchanged at \$200 per day (\$2,000 max).

New provisions include:

- Increase in the Emergency Paid Family and Medical Leave (EFMLA) per-employee cap from \$10,000 to \$12,000 and increase in eligible number of days from 50 to 60. Amount per day limit of \$200 remains in place.
- Credits allowed to be taken 501(c)(1) governmental organizations (state and local governments) beginning April 1, 2021.

New Payroll Tax Credit for Continuing Health Insurance Coverage (COBRA) Individuals receiving continuing health coverage (COBRA) are entitled to premium assistance through 9/30/2021 and employers who provide coverage and pay for premiums may be eligible for a corresponding tax credit against employers' share of Medicare tax. Further guidance is needed from the IRS on the administration of the credit, the reporting of premium amounts, and the applicability of premium payments to PPP loan forgiveness.

Non Employer Related Items

Many of the more noteworthy provisions of the bill do not impact payroll:

- Increase in child tax credit to \$3,000 (\$3,600 for children under 6) for qualifying taxpayers;
- Continuation of unemployment benefits with \$300 in additional benefit payments for unemployed workers;
- Exemption of the first \$10,200 in unemployment benefits from taxation in 2020;
- Increased funding for the Paycheck Protection Program and expanded eligibility for not-for-profits.
- Expansion of the earned income tax credit;
- Economic impact / stimulus payments of \$1,400 to single taxpayers earning \$75,000 or less (phased out at \$80,000), and married filers with joint incomes up to \$150,000 (phased out at \$160,000).