

March 11, 2021

Unemployment Insurance Provisions in the American Rescue Plan Act of 2021

The Unemployment Insurance (UI) provisions in Title IX, Subtitle A, of the American Rescue Plan Act of 2021 (ARPA; H.R. 1319, as passed by the Senate on March 6, 2021, and by the House on March 10, 2021) would enact four significant changes to UI programs and benefits—specifically, ARPA would:

- reauthorize and expand the enhanced UI benefits created under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136, enacted March 27, 2020) and the Consolidated Appropriations Act, 2021 (P.L. 116-260, enacted December 27, 2020; the UI provisions are titled the Continued Assistance for Unemployed Workers Act of 2020 [Continued Assistance Act]);
- extend the authorization for additional, temporary UI provisions first authorized under the CARES Act and the Families First Coronavirus Response Act (FFCRA; P.L. 116-127, enacted March 18, 2020) and extended under the Continued Assistance Act;
- authorize a federal income tax exclusion of up to \$10,200 in UI benefits in 2020 for taxpayers with modified adjusted gross income (AGI) of less than \$150,000; and
- provide two sources of additional UI administrative funding: (1) \$2 billion to U.S. Department of Labor (DOL) for federal and state administration of UI benefits, including for fraud prevention and benefit processing purposes; and (2) \$8 million to DOL for federal activities related to UI programs.

For additional information on UI programs and benefits, see CRS Report R46687, *Current Status of Unemployment Insurance (UI) Benefits: Permanent-Law Programs and COVID-19 Pandemic Response*.

Reauthorized and Expanded Federal UI Benefits

The UI provisions in ARPA would reauthorize and expand the four temporary UI benefits created under the CARES Act and the Continued Assistance Act: Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC), Pandemic Unemployment Assistance (PUA), and Mixed Earned Unemployment Compensation (MEUC).

Federal Pandemic Unemployment Compensation

Originally authorized under the CARES Act at \$600 per week, FPUC is a weekly UI benefit augmentation that initially expired on July 25, 2020 (July 26, 2020, in New

York). After this expiration, on August 8, 2020, former President Trump issued a presidential memorandum creating Lost Wages Assistance, a grant program that supplemented the weekly benefits of certain eligible UI claimants with up to \$300 weekly in federal funding. All states ended Lost Wages Assistance payments by September 5, 2020. The Continued Assistance Act reauthorized FPUC at \$300 per week for weeks of unemployment beginning after December 26, 2020, and ending on or before March 14, 2021.

ARPA would extend the Continued Assistance Act's reauthorization of FPUC at \$300 per week through weeks of unemployment ending on or before September 6, 2021. After September 4, 2021 (September 5, 2021, in New York), no FPUC benefits would be payable.

Pandemic Emergency Unemployment Compensation

PEUC provides additional weeks of federally financed UI benefits for individuals who exhaust state and federal UI benefits and are able, available, and actively seeking work, subject to flexibilities related to Coronavirus Disease 2019 (COVID-19). PEUC was originally created as a 13-week UI extension under the CARES Act and payable through weeks of unemployment ending December 26, 2020 (December 27, 2020, in New York).

The Continued Assistance Act subsequently authorized 11 additional weeks of PEUC benefits (for a total of 24 weeks; the additional weeks were only payable beginning December 26, 2020 [December 27, 2020, in New York]) and extended the authorization for PEUC through weeks of unemployment ending on or before March 14, 2021 (March 13, 2021; March 14, 2021, in New York).

The American Rescue Plan Act would:

- authorize 29 additional weeks of PEUC benefits (not retroactive; only payable with respect to weeks of unemployment beginning March 14, 2021 [March 15, 2021, in New York]); and
- extend the authorization for PEUC through weeks of unemployment ending on or before September 6, 2021 (September 4, 2021; September 5, 2021, in New York); no PEUC benefits would be payable after that date.

The new PEUC expiration date would effectively limit PEUC benefits to no more than an additional 25 weeks and a cumulative total of 49 weeks.

Pandemic Unemployment Assistance

PUA is a temporary, federal UI program for individuals who are (1) not otherwise eligible for UI benefits (e.g., self-employed, independent contractors, gig economy workers); (2) unemployed due to a specific COVID-19-related reason; and (3) not able to telework and are not receiving any paid leave.

Under the CARES Act, PUA provided up to 39 weeks of benefits for weeks of unemployment ending December 26, 2020 (December 27, 2020, in New York). The Continued Assistance Act subsequently authorized 11 additional weeks of PUA benefits (for a total of 50 weeks; the additional weeks were only payable beginning December 26, 2020 [December 27, 2020, in New York]) and extended the authorization for PUA through weeks of unemployment ending on or before March 14, 2021 (March 13, 2021; March 14, 2021, in New York).

The American Rescue Plan Act would:

- authorize 29 additional weeks of PUA benefits (not retroactive; only payable with respect to weeks of unemployment beginning March 14, 2021 [March 15, 2021, in New York]); and
- extend the authorization for PUA through weeks of unemployment ending on or before September 6, 2021 (September 4, 2021; September 5, 2021, in New York); no PUA benefits would be payable after that date.

The new PUA expiration date would effectively limit PUA benefits to no more than an additional 25 weeks and a cumulative total of 75 weeks.

Mixed Earner Unemployment Compensation

The Continued Assistance Act created a \$100-a-week MEUC payment in addition to the \$300-a-week FPUC benefit in states that elect to participate. MEUC provides \$100 weekly for individuals who received at least \$5,000 in self-employment income in the most recent tax year (i.e., ending prior to the individual's application for state UI benefits) and receive a UI benefit other than PUA. Under the Continued Assistance Act, MEUC was payable only in states that opt to administer the benefit for weeks of unemployment beginning on or after December 27, 2020, and ending on or before March 14, 2021 (March 13, 2021; March 14, 2021, in New York).

ARPA would extend the authorization of the \$100-a-week MEUC payment in participating states for weeks of unemployment ending on or before September 6, 2021. After September 4, 2021 (September 5, 2021, in New York), no MEUC benefits would be payable.

Extensions of Additional UI Provisions

ARPA would extend the temporary authority for additional UI provisions first authorized under FFCRA (P.L. 116-127) and the CARES Act (P.L. 116-136) and subsequently reauthorized under the Continued Assistance Act. The authorities for the following UI provisions would generally be extended through September 6, 2021 (or for weeks of unemployment ending on or before September 6, 2021; i.e., September 4, 2021; September 5, 2021, in New York):

- waiver of interest payments and the accrual of interest on federal advances (loans) to states to pay regular UI benefits through temporary assistance for states with advances;
- 100% federal funding of Extended Benefits (EB);
- 100% federal funding for the first week of UI benefits in states with no waiting week (originally 100% federal funding under CARES Act, then 50% funding under the Continued Assistance Act; restored 100% federal funding under ARPA would be retroactive and apply as if the reduction to 50% funding had not occurred);
- 75% federal funding of state UI benefits based on service with reimbursing employers (i.e., state and local governments, Indian tribes, and nonprofit organizations, including the Kennedy Center, that have opted not to pay UI taxes but instead reimburse states for regular UI benefits paid to their former employees; previously 50% federal funding under the CARES Act and the Continued Assistance Act—75% funding would begin for weeks of unemployment after March 31, 2021);
- 100% federal financing of Short-Time Compensation (STC; work sharing) in states with existing programs and 50% federal financing for states that set up STC programs (up to the equivalent of 26 weeks of benefits for individuals); and
- waiver of federal requirements regarding merit staffing for state UI programs on an emergency, temporary basis in response to COVID-19 (limited to temporary actions taken by states to quickly process UI claims, including rehiring former employees and temporary hiring).

UI Tax Exclusion for 2020

ARPA includes a provision that would exclude up to \$10,200 in UI benefits from income in 2020 for the purposes of federal income for taxpayers with modified AGI of less than \$150,000. The \$150,000 AGI threshold would apply regardless of the taxpayer's filing status (i.e., married filing jointly, single, or head of household).

Additional UI Administrative Funding

ARPA would provide \$2 billion in additional UI administrative funding to DOL in FY2021 to “detect and prevent fraud, promote equitable access, and ensure the timely payment of benefits.” This funding would be available until expended and may be used for (1) federal administrative costs, (2) system-wide infrastructure, and (3) grants to state and territories administering all UI benefits for program integrity and fraud prevention purposes, including for identity verification and faster claims processing.

ARPA would also provide an additional \$8 million to DOL for necessary expenses to carry out federal activities related to the administration of UI programs.

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