



The American Rescue Plan Act:

Overview of Key Details for Employers

The American Rescue Plan Act: What you Need to Know

In February of 2021, Congress passed the American Rescue Plan Act (ARPA), which included additional funding for individuals, business and governmental bodies as well as making changes to the existing COVID employer tax credits. Below are some key considerations within the Act that will impact employers and employees:

COVID-Related Paid Sick Leave (PSL) & Paid Family Leave (PFL) Extended to September 30, 2021

Congress passed a law in December 2020 that initially extended leave until March 31, 2021. The new ARPA makes changes to this by extending the period from April 1, 2021 through September 30, 2021.

1. Expanded Reasons for PSL and PFL

PAID SICK LEAVE	
Through March 31, 2021	April 1 – September 30, 2021
<ul style="list-style-type: none"> Quarantine or isolation order related to COVID-19; Advised by a health care provider to self-quarantine due to concerns related to COVID-19; Experiencing symptoms of COVID-19 and seeking a medical diagnosis; Care for an individual subject to an isolation order or is quarantined; Care for a child whose school or place of care is closed; Any other substantially similar condition as specified by the Secretary of Health and Human Services. 	<p>All of the existing reasons, plus:</p> <ul style="list-style-type: none"> The worker is getting a COVID-19 vaccine. The employee is recovering from complications due to receiving the vaccine. The worker is awaiting the results of a COVID-19 test or diagnosis for coronavirus.

PAID FAMILY LEAVE	
Through March 31, 2021	April 1 – September 30, 2021
<ul style="list-style-type: none"> Employees is unable to work or telework to care for a child if the school or childcare provider is closed due to COVID-19 	<p>All of the existing reasons for PSL and PFL, plus:</p> <ul style="list-style-type: none"> The worker is getting a COVID-19 vaccine. The employee is recovering from complications due to receiving the vaccine. The worker is awaiting the results of a COVID-19 test or diagnosis for coronavirus.

2. Maximum Credit Amounts available under the PSL and PFL

Emergency Paid Sick Leave (EPSL)

- 10 days/80 hours from April 1, 2021 – September 30, 2021
- Part-time employees entitled to pro-rated amount
- Leave for employee's own health, capped at \$511/day and \$5,110 total per employee
- Leave to care for another, capped at \$200/day and \$2,000 total per employee

Emergency FMLA expansion (EFML)

- Full-time employees entitled to 12 total weeks of leave through September 30, 2021
- Remaining 10 weeks paid at 2/3 employee's regular rate of pay based on hours scheduled to work
- Capped at \$200/day and \$12,000 total per employee

3. Tax credits for paid family leave and paid sick leave

FFCRA Reporting on Form W-2

- Employers must report the amount of qualified FFCRA sick and family leave wages on either Forms W-2, box 14, or on a separate statement.
- This provides employees who are also self-employed with amounts they may need to figure their qualified sick leave equivalent or qualified family leave equivalent credits.

Applies to federal employment taxes

- Recover funds by reducing federal payroll tax deposits - usually due within a few days of each payroll.
- Employer can also (or alternatively) request advance payment of the credit from the IRS via Form 7200.

Changes to Employee Retention Tax Credit

The Employee retention Tax Credit was recently modified in an amendment (CAA 2021) in the CARE Act (which you can review in this document). The ARPA makes further modifications. Below is the comparison of immediate changes:

Changes Modified by the CAA, 2021

Availability of credit:

- Extended through **June 30, 2021**

Amount of credit:

- Increase from 50% to **70% of qualifying wages**.
- Wage cap increased from \$10,000 in the aggregate for all calendar quarters to **\$10,000 per calendar quarter** for 2021
- Large employer for purposes of qualifying wages increased to **500**

New Changes from the ARPA 2021

Availability of credit:

- Extended through **December 31, 2021**

Amount of credit:

- Remains as **70% of qualifying wages as under CAA 2021**
- Wage cap remains **\$10,000 per calendar quarter through 2021**
 - *I.e., maximum credit per employee is \$28,000 in 2021*

ARPA Modified Eligible Employers for Retention Tax Credits

The ARPA also modifies the limits on which employers are eligible to receive credits. **Effective July 1, 2021, new businesses started after February 15, 2020**, with average annual receipts of under \$1,000,000 are now eligible for retention credits. For such businesses, the amount of **credit may not exceed \$50,000** per quarter. The ARPA also modifies the definition of “applicable employment taxes” against which the employee retention credits can be taken. **Employer’s 1.45% Medicare Tax replaces Employer’s 6.2% Social Security Tax.**

Tax-free 100% subsidy of COBRA premiums for Assistance Eligible Individuals

ARPA brings back COBRA subsidies starting April 1, 2021, and requires employers and health plan administrators to take prompt action to comply with strict notice requirements. In summary, the ARPA provides a tax-free 100% subsidy of COBRA premiums for assistance eligible individuals (“AEI”) from April 1, 2021 through September 30, 2021 (the “Subsidy Period”).

Who is Eligible?

Assistance eligible individuals (“AEI”) – employee eligible for COBRA that has:

- involuntary termination of employment (for reasons other than gross misconduct) or a reduction in hours, and
- (2) elects COBRA coverage during the Subsidy Period or is already enrolled in COBRA coverage on April 1, 2021.

What are the notice requirements for plan administrators?

- Election Notice: for AEIs a COBRA election notice must be sent with specific detailed information about the subsidy within 60 days of April 1, 2021.
- Premium Assistance Notice: a COBRA election notice must be sent with specific detailed information about the subsidy
- Subsidy Termination Notice: administrator must provide notice alerting an individual that the Subsidy Period is ending

Comparison Chart: Comparing the CARES Act, the CAA Amendment and ARPA

	Coronavirus Aid, Relief, and Economic Security (CARES) Act	Taxpayer Certainty and Disaster Tax Relief Act of 2021 (Amends the CARES Act)	American Rescue Plan Act of 2021 (ARPA)
Wages Covered	Wages paid March 13, 2020 – December 31, 2020	Wages paid January 1, 2021 – June 30, 2021	Wages paid July 1, 2021 – December 31, 2021
Qualified Wage Cap	\$10,000 per employee for all calendar quarters	\$10,000 per employee per applicable 2021 calendar quarter	\$10,000 per employee per applicable 2021 calendar quarter
Percentage of Wages	50% of Qualified Wages	70% of Qualified Wages	70% of Qualified Wages
Maximum Credit Amount	\$5000 per employee for 2020	\$14,000 per employee for 2021	\$14,000 per employee (for a total of \$28,000 per employee) for 2021
Healthcare Costs included in Qualified Wages?	Yes	Yes, effective retroactively to March 13, 2020	Yes
Gross Receipts Eligibility Test	50% decline in calendar quarter gross receipts when compared to same quarter in 2019	20% decline in calendar quarter gross receipts when compared to the same or corresponding quarter in 2019 (or 2020 if the employee was not in business in said 2019 quarter)	20% decline in current or prior calendar quarter gross receipts when compared to same or corresponding quarter in 2019 (or 2020 if employer was not in business in such 2019 quarter)
Eligibility of Public Instrumentalities	Not Eligible	Eligibility is limited to public universities, colleges, hospitals, and medical care facilities	Eligibility is limited to public universities, colleges, hospitals, and medical care facilities
Large employer Threshold	100 full time employees	500 full time employees	500 full time employees
30-day Qualified Wages Lookback Limitation	Yes	No, not applicable for 2021	No, not applicable for 2021



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