SCWA Legislative Update
March 15, 2021

Official Text Of American Rescue Plan Act Of 2021

CLICK HERE for the official text of the American Rescue Plan Act of 2021 which was passed by the House last week and signed by President Biden.

The text is posted at www.congress.gov, click on H.R. 1319, then on "Text," and use the version titled, "Engrossed Amendment Senate."

Based on this document, you can begin making plans for applying the updated version of the Employee Retention Credit (ERC), which is at Section 9651 of the bill.

IRS Notice 2021-20, which provides guidance on implementing ERC, applies to calendar 2020 only. IRS promises to issue guidance for ERC in 2021, but until it arrives, you can rely on the text of the American Rescue Plan Act.

American Rescue Plan Recap

There are many different and strong feelings regarding the new American Rescue Plan. While it will significantly increase the U.S. debt, many of the expenditures will not occur until the next few years. The following provides a few statistics to consider. The U.S. economy contracted 3.5 percent last year but is expected to grow 7 percent this year according to Goldman Sachs. Propelled by $2 trillion hoard of household savings, growing business investments, and government policy of assistance to states, firms, and tax cuts for low and middle-income financially-stressed households, under the American Rescue Plan Act (H.R. 1319).

There are still 10 million fewer workers than before the pandemic, and though the last unemployment report was promising, around 7.5 million workers are applying for unemployment each week and many are working fewer hours. The average workweek fell from 34.9 hours in January to 34.6 hours in February, equivalent to a payroll loss of a million workers according to Barron's.

A March 8th analysis of the Senate bill by Urban Institute/Brookings Tax Policy Center found the measure "would reduce Federal taxes in 2021 by an average of $3,000 and raise after-tax incomes by 3.8 percent. Families with children would get an average tax cut of more than $6,000 . . .

"In 2021, low- and moderate-income households (those making $91,000 or less) would receive 70 percent of the tax benefits from the Senate measure. Among families with children, low- and middle-income households would get nearly three-quarters of the benefits. . . .

"A household making $25,000 or less would receive an average tax cut of $2,800, boosting their after-tax income 20 percent. A low-income household with children would get an average tax cut of nearly $7,700, raising their after-tax income by more than 35 percent."

Overall, the Senate bill cuts taxes by $467 billion in 2021, according to the Joint Committee on Taxation, but the salient feature is "a 20 percent boost in after-tax income for the lowest-earning 20 percent of households," with no hike in the minimum wage.

Taxes Urban/Brookings modeled were the four largest in the Schumer bill: $1,400 economic impact payments, refundable child tax credit, expanded refundable earned income credit, and refundable child and dependent care tax credit. These are temporary tax credits that Democrats make little secret of wanting to make permanent.

Beside appropriations for agriculture, energy, education, housing, transportation, health care, rural broadband, rental and mortgage assistance, etc., here are the highlights of the Senate bill for FY 2021 unless other dates are given:

- Enhances employee retention tax credit (Section 9651 of the Schumer bill) by permitting certain hardest-hit businesses to count wages paid to all employees as qualifying wages; in addition, the credit would be available to business start-ups.
- Economic Impact Payments (cash grants) of $1,400 to individuals earning up to $75,000 ($2,800 for couples up to $150,0000), plus $1,400 per dependent, including those in college; payments fully phased out when AGI reaches $80,000 for singles, $120,000 for heads of household, and $160,000 for joint filers without children;
- Supplemental Federal benefit of $300 for workers receiving state unemployment compensation, available through September 6th;
- Bigger and fully refundable Child Tax Credit of $3,600 for each child under age 6, and $3,000 up to age 17;
- $25 billion expansion of Earned Income Tax Credit to cover additional childless adults;
- Easing child care costs for working parents by larger and fully refundable child and dependent care tax credit of up to $4,000 for one child and $8,000 for two or more;
- $16 billion for Child Care and Development Block Grant in FY 2021, additional $35 billion through September 30, 2025; $24 billion for emergency Child Care Stabilization Funding for FY 2021;
- Saving unemployed workers $25 billion by exempting households with income below $150,000 from Federal tax on the first $10,200 of calendar year 2020 unemployment benefits;
- Excluding from gross income the full amount of student loan indebtedness discharged (paid up or cancelled) after December 31, 2020 and before January 1, 2026;

- Additional funds for veterans programs (see Title VIII of the bill) including claims and appeals processing, medical care and health needs, supply chain modernization, state homes, veteran rapid retraining assistance program, and prohibition on copayments and cost-sharing by veterans during COVID-19 emergency;
- Indian Health Service (Section 11001) and Housing Assistance and Supportive Services Programs (Section 11003);
- 15% boost in food stamp benefit which was first enacted in CARES, now extended through September 30;
- $75 billion for vaccinations, treatments, and supplies;
- $19 billion for rural and community health centers;
- $50 billion for Federal Emergency Management Agency (FEMA);
- $26 billion direct assistance for restaurants, bars, and live venues;
- $15 billion direct assistance for airlines payroll support;
- $350 billion for state and local governments, of which the state total, $220 billion, is distributed based on state unemployment rate rather than population size;
- $129 billion for elementary and secondary schools, $40 billion for higher education, on top of $113 billion already provided but largely unspent;
- $30 billion for public transit agencies;
- $7 billion more for the small business Paycheck Protection Program originally established by the CARES Act;
- $86 billion to strengthen single-employer and multiemployer pension plans;
- $35 billion for premium subsidies under the Affordable Care Act (Obamacare);
- Repeal of election to allocate interest on worldwide basis (Section 9671 of the bill).

SCWA Signs onto Support Letter for 199A Permanence

Dear Chairmen Wyden and Neal, and Ranking Members Crapo and Brady:

The undersigned business groups strongly support the Main Street Tax Certainty Act of 2021, to make permanent the Section 199A 20-percent deduction for qualified business income.

Led by Representatives Jason Smith (MO) and Henry Cuellar (TX) in the House, and Senator Steve Daines (MT) in the Senate, this bipartisan legislation will help ensure permanent tax parity for the millions of employers organized as S corporations, partnerships and sole proprietorships. It will also provide certainty to the countless businesses who have been devastated by the coronavirus pandemic.

Individually- and family-owned businesses are the backbone of the American economy – they employ the majority of private-sector workers and represent 95 percent of all businesses. Despite the economic importance of the pass-through sector, however, Section 199A is scheduled to sunset at the end of 2025.

These businesses have been hard hit by the COVID pandemic and resulting shutdown policies. According to Yelp's Local Economic Impact Report, a majority of businesses closed during the pandemic will not reopen, while small business revenues overall have declined by more than 30 percent in the past year.

Making the 199A deduction permanent will help millions of these pass-through businesses during this very difficult time, leading to higher economic growth and more employment. Analysis by economists Robert Barro and Jason Furman found that, among other provisions, making the pass-through deduction permanent would result in significantly increased economic growth in the coming years. The American Action Forum found similar results.

The sooner Congress acts to make Section 199A permanent, the sooner Main Street employers – and the broader economy – will benefit.

We appreciate your consideration of this important legislation.

Sincerely,

SCWA and other trade/professional associations

Urge Your Legislators to OPPOSE the Protecting the Right to Organize (PRO) Act

Last year, the U.S. House of Representatives passed the Protecting the Right to Organize (PRO) Act, on a nearly party line vote. Already this year the same bill has been reintroduced as H.R. 842.

Now, the Democratic leadership in the House plans to bypass the traditional committee process and bring this bill to a vote before the full House as soon as next week without a hearing!

This radical legislation is a smorgasbord of pro-Union legislation written to increase union membership at any cost, including attempts to implement policies that have been rejected by the judicial system, opposed on a bipartisan basis in Congress, and/or abandoned by the agencies asked to enforce them. Additionally, a companion bill, S. 420, has been introduced in the Senate.

Among other things, the PRO Act would:

- Enact so-called “card check” taking away workers’ right to a secret ballot in a union certification election and stripping away their privacy rights;
- Codify into law the NLRB’s controversial *Browning-Ferris Industries* joint-employer standard to subject more companies to union organizing activities;
- Curb opportunities for people to work independently through traditional independent contractor roles;
- Eliminate Right-to-Work protections for workers across the country, including in the 27 states that have passed Right-to-Work laws;

- Interfere with attorney-client confidentiality and make it harder for businesses to secure legal advice on complex labor law matters;
- Prohibit arbitration agreements in employment contracts;
- Infringe on the due process rights of employers; and
- Strip away “secondary boycott” protections that prevent unions from using their anti-trust exemptions and immunity from certain state laws to target businesses for anti-competitive purposes other than organizing.