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The American Rescue Plan Act of 2021

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Summary of the American Rescue Plan

- ❑ March 11, 2021 signed the act (H.R.1319) into law
- ❑ A \$1.9 trillion package intended to combat the COVID-19 pandemic
- ❑ Provides \$362 billion in federal fiscal recovery aid for state and local governments

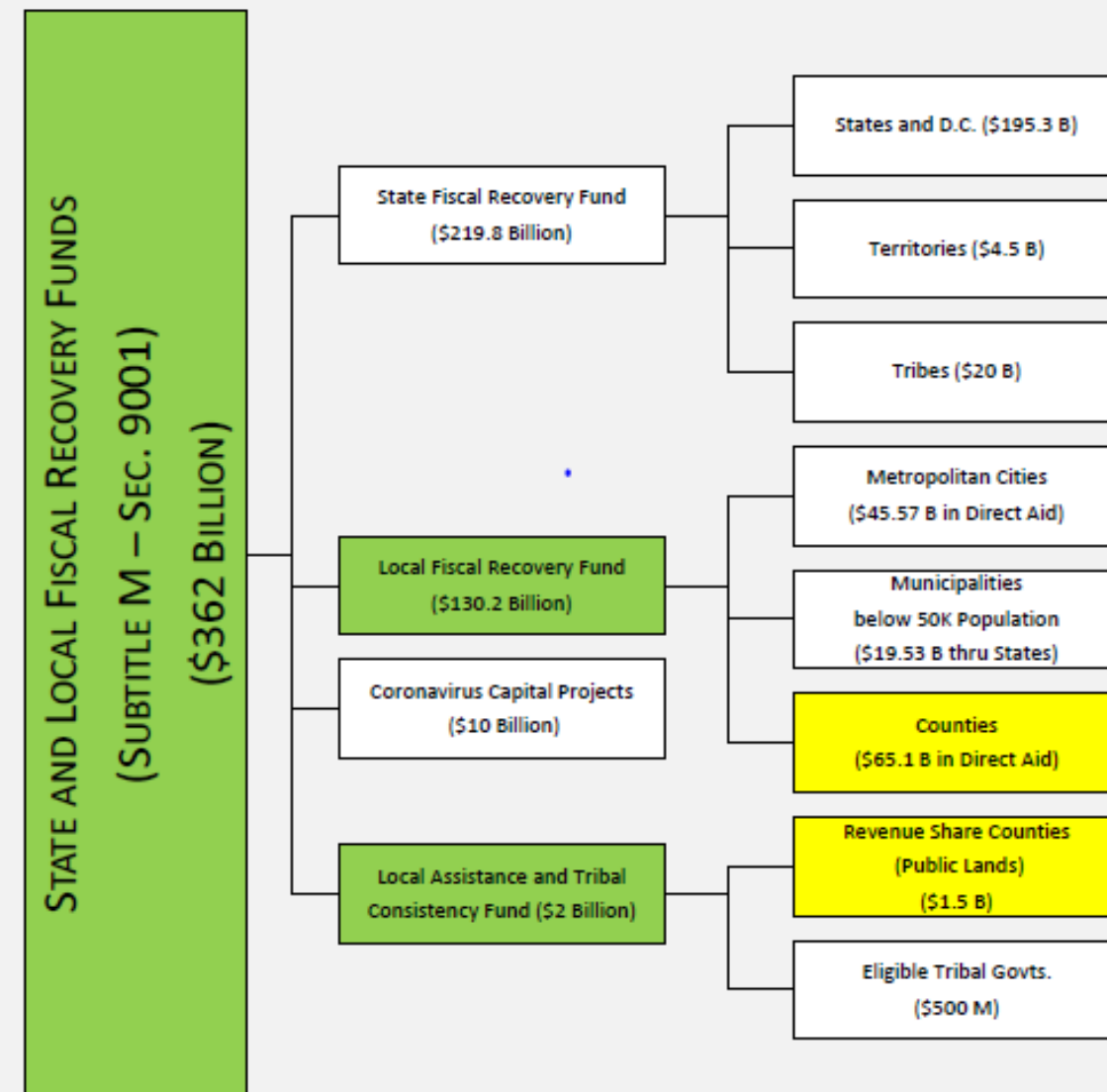
Summary of the Plan Continued

- ❑ The Act includes additional allocations for the following areas
 - Public Health and vaccines
 - Assistance for vulnerable populations
 - Education and housing stabilization
 - Economic recovery assistance
 - Direct assistance for families and individuals

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS (SUBTITLE M – SEC. 9001) (\$362 BILLION)

Slide obtained from the NACo
website

DIRECT ASSISTANCE FOR STATE AND LOCAL GOVERNMENTS



Coronavirus State Fiscal Recovery Fund

- ❑ \$219.8 billion available to States, territories, and tribal governments through December 31, 2024
- ❑ Same 4 funding requirements apply to states that will be discussed under the Coronavirus Local Fiscal Recovery Fund below

Coronavirus State Fiscal Recovery Fund (continued)

- ❑ Restriction on funding (**states only**) – can not use Fiscal Recovery Funds (FRF) to offset a reduction in net tax revenues from change in law, regulation or administration interpretation during the covered period that reduces any tax or delays the imposition of any tax or tax increase.
- ❑ If a state violates this provision, it will be required to repay the amount of the applicable reduction to net tax revenue.

Coronavirus Local Fiscal Recovery Fund (FRF) – \$130.2 billion

- ❑ \$130.2 billion divided evenly between counties, municipalities, and metropolitan cities
 - \$65.1 billion to all counties
 - \$45.57 billion to metropolitan cities
 - \$19.53 billion to nonentitlement units or municipalities
- ❑ Can be used to cover eligible expenditures through December 31, 2024

Coronavirus Local Fiscal Recovery Fund – Counties

- ❑ \$65.1 billion in direct federal aid to all counties based upon population except as noted below
- ❑ CDBG county recipients (urban entitlement counties) will receive the higher of either the population-based share or the share under a modified CDBG allocation formula

Coronavirus Local Fiscal Recovery Fund – Metropolitan Cities

- ❑ Defined as populations of 50,000 or more
- ❑ Considered entitlement communities or typically metropolitan cities
- ❑ Receive \$45.57 billion in direct aid from U.S. Treasury
- ❑ Allocated using a modified Community Development Block Grant (CDBG) formula

Coronavirus Local Fiscal Recovery Fund – Nonentitlement

- ❑ Populations below 50,000 will receive \$19.53 billion
- ❑ Considered non-CDBG entitlement communities typically municipalities
- ❑ Funding based on each jurisdiction's percentage of State population
- ❑ Amounts distributed through the States
- ❑ No provision in Act permitting States to impose additional requirements or restrictions

Passcode #1

Amount of Funding to be Distributed

- ❑ Links below will provide final allocations to be distributed to states, counties, metropolitan cities, and municipalities.
- ❑ <https://www.md-cpas.com/covid-19-update> - select Highlights of American Rescue Plan
- ❑ <https://www.naco.org/resources/featured/state-and-local-coronavirus-fiscal-recovery-funds> - County link only

Timing of Funding

- ❑ Money will be provided in two payments or “tranches”
- ❑ First payment, 50% of distribution, will be received in 2021.
- ❑ For direct recipients within 60 days of enactment
- ❑ Chief Executive will be required to submit a Certification of Need with the U.S. Treasury before funds will be dispersed for direct recipients

Timing of Funding (continued)

- ❑ Indirect recipients – states are to distribute payments no later than 30 days after receipt of payment unless an extension is granted
- ❑ Second payment will be received in 2022 approximately 12 months after the first payment

Allowable Uses for Funds – 4 Categories

1. Respond to or mitigate the public health emergency or its negative impacts;
2. Provide government services to the extent of the reduction in revenue;
3. Provide “premium pay” to workers performing essential work during COVID-19;
4. Make necessary investments in water, sewer, or broadband infrastructure

Respond to or Mitigate the Public Health Emergency

- ❑ Some examples include assistance to the following
 - Small businesses
 - Nonprofits
 - Households
 - Impacted industries such as tourism, travel & hospitality
- ❑ Above examples are not all inclusive
- ❑ U.S. Treasury will provide guidance regarding its interpretation of these terms.

Premium Pay

- ❑ “Premium pay” means an additional amount up to \$13 per hour that is paid to an eligible worker during the COVID-19 pandemic.
- ❑ Cap is imposed of \$25,000 for any single eligible worker
- ❑ Can also provide grants to eligible employers that have eligible workers who perform essential work

Eligible Workers for Premium Pay

Eligible Workers is defined as workers needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors as each chief executive officer of a metropolitan city, nonentitlement unit of local government, or county may designate as critical to protect the health and well-being of the residents.

Passcode #2

Transfers to Authority or States

- ❑ A metropolitan city, nonentitlement government, or county may transfer FRF funds to the following entities:
 - Private nonprofits as defined in the McKinney-Vento Homeless Assistance Act at 42 U.S.C. 11360;
 - Public benefit corporation involved in the transportation of passengers or cargo;
 - Special-purpose unit of state or local government;
 - To the state which such entity is located

Unallowable Activities

- ❑ Cannot be used for pension plan obligations
- ❑ As discussed above, states have an additional restriction that they can't use the money to offset a net tax reduction
- ❑ Monies not spend correctly will be required to be returned to the U.S. Treasury

Coronavirus Capital Projects Fund

- ❑ The U.S. Treasury will also make grants available through the \$10 billion Coronavirus Capital Projects Fund for “critical capital projects directly enabling work, education, and health monitoring, including remote options” in response to the COVID-19 public health emergency.
- ❑ Funding is provided to states, territories, and tribal governments

Department of Treasury

- ❑ The U.S. Treasury Department is responsible for the oversight of this funding
- ❑ Other than the few statutory examples of responses to negative economic impacts (assistance to households, small businesses, and nonprofits, or aid to impacted industries), the statute contains little specific guidance.
- ❑ The U.S. Treasury will provide guidance regarding its interpretation of these terms.

Department of Treasury (continued)

- ❑ Expect that guidance and FAQ's will be updated frequently throughout the year by Treasury
- ❑ It is possible that the Treasury will generally permit the same types of expenditures it permitted under its Coronavirus Relief Fund guidance.
- ❑ Regular reports to the U.S. Treasury regarding the use of funds will be required, including a detailed accounting of the use of funds.

Single Audit Requirements

- ❑ Federal funding is being provided under this Act
- ❑ A CFDA number has not been assigned yet to this funding source
- ❑ Reporting required based upon when the expenditures were incurred not when cash has been received
- ❑ Single Audit will need to be completed if total federal funds (including Coronavirus Local Fiscal Recovery Funds) are over the \$750,000 threshold

Single Audit Requirements (continued)

- ❑ These funds would be included on the Schedule of Federal Expenditures Awards if a Single Audit is required and are subject to Uniform Guidance
- ❑ If FRF are the only federal funds received in 2021, should consider a program specific audit instead of a single audit if they qualify
 - Can only have one CFDA number
 - Permission must be obtained from grantor (federal/state)

Passcode #3

□ Unemployment Compensation □ & □ Families First Coronavirus Response Act

Unemployment Compensation Update

- ❑ The \$300 per-week unemployment supplement had been set to expire on March 14, 2021.
- ❑ The American Rescue Plan Act included the following provisions relating to unemployment compensation:
 - Continued unemployment supplement of \$300 per-week until September 6, 2021
 - Extended eligibility benefits for self-employed workers, like ride-share drivers.

Unemployment Compensation Update (continued)

- ❑ Temporarily increases the **CARES Act** funding to the state to provide reimbursement to reimbursable employers from 50% to 75% of UC claims in the April 1, 2021 through September 6, 2021 time period.

Families First Coronavirus Response Act

- ❑ FFCRA was a collection of laws including Emergency Paid Sick Leave Act and Emergency Family and Medical Leave Expansion Acts.
 - Emergency Paid Sick Leave Act: provided up to two weeks (capped at 80 hours) of additional paid sick leave for employees who met a qualifying COVID-19 related condition.
 - Expanded FMLA: provided up to 10 weeks of expanded FMLA leave at 2/3 of regular pay rate for employee to care for child whose school or place of care was closed/unavailable due to COVID-19.
- ❑ These two FFCRA leaves expired on December 31, 2020.

American Rescue Plan Act - Paid Leave Credit

- ❑ The American Rescue Plan does not mandate that employers provide COVID-19 related emergency paid sick leave or emergency family and medical leave.
- ❑ The Act does provide a 100% FICA tax credit to employers who voluntarily provide FFCRA leave (subject FFCRA caps) from April 1, 2021 through September 30, 2021.
- ❑ For the first time, state and local government employers that continue to voluntarily provide FFCRA leave are eligible to get this FICA tax credit.

American Rescue Plan Act - Paid Leave Credit (continued)

- ❑ In addition to the reasons originally outlined in the FFCRA, tax credits are also now available to cover leave (subject to the overall FFCRA caps) related to obtaining a COVID-19 vaccination or a COVID-19 vaccine-related injury or illness.
- ❑ Tax credit not available if leave is provided in a way that discriminates in favor of “highly compensated employees . . . full-time employees, or employees on the basis of employment tenure with such employer.”

Other American Rescue Plan Act Changes

- ❑ Rather than requiring employees to pay 102% of their health care premium for COBRA continuation coverage, the federal government will generally cover the entire premium cost from April 1, 2021 through September 30, 2021.
- ❑ \$21.55 billion in additional Emergency Rental Assistance
- ❑ Provides key funding for transit agencies and airports

Other American Rescue Plan Act Changes (continued)

- ❑ \$20 billion for vaccine administration and distribution
- ❑ \$50 billion for the FEMA Disaster Relief Fund to aid state and local governments and individuals with pandemic-related expenses
- ❑ \$130 billion is provided to help schools safely reopen

Other American Rescue Plan Act Changes (continued)

- ❑ \$15 billion in additional funding for COVID-19 Emergency Grants through the Economic Injury Disaster Loan (EIDL) Program
- ❑ \$7.25 billion in additional funding for the Paycheck Protection Program
- ❑ \$28.6 billion to aid restaurants and bars with 20 or fewer locations, to be administered by the Small Business Administration

Passcode #4

Questions or Assistance Needed Contact Us Below

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