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; P.L. 117-2; enacted March 11, 2021) make four significant changes to UI programs and benefits—specifically, ARPA:

- reauthorizes and expands 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]);

- extends 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;

- authorizes 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

- provides 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.

For information on federal taxation of UI benefits, see CRS In Focus IF11782, Federal Taxation of Unemployment Insurance Benefits.

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; for subsequent UI benefit expiration dates provided below, the benefit expiration date in New York falls one calendar day later, which is due to that state’s definitions of week). 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 extends 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, no FPUC benefits are 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.

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) and extended the authorization for PEUC through weeks of unemployment ending on or before March 14, 2021.

The American Rescue Plan Act

- authorizes 29 additional weeks of PEUC benefits (not retroactive; only payable with respect to weeks of unemployment beginning March 14, 2021); and

- extends the authorization for PEUC through weeks of unemployment ending on or before September 6, 2021; no PEUC benefits are payable after September 4, 2021.

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

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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. 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) and extended the authorization for PUA through weeks of unemployment ending on or before March 14, 2021.

The American Rescue Plan Act
• authorizes 29 additional weeks of PUA benefits (not retroactive; only payable with respect to weeks of unemployment beginning March 14, 2021); and
• extends the authorization for PUA through weeks of unemployment ending on or before September 6, 2021; no PUA benefits are payable after September 4, 2021.

The new PUA expiration date effectively limits 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.

ARPA extends 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, no MEUC benefits are payable.

Extensions of Additional UI Provisions
ARPA extends 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 are generally extended through September 6, 2021 (or for weeks of unemployment ending on or before September 6, 2021 (i.e., through September 4, 2021):

• 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 is retroactive and applies 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 begins 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 certain temporary actions taken by states to quickly process UI claims, including rehiring former employees and temporary hiring).

UI Tax Exclusion for 2020
ARPA allows taxpayers to 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 applies regardless of the taxpayer’s filing status (i.e., married filing jointly, single, or head of household).

Additional UI Administrative Funding
ARPA provides $5 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 is available until expended and may be used for (1) federal administrative costs, (2) system-wide infrastructure, and (3) grants to states and territories administering all UI benefits for program integrity and fraud prevention purposes, including for identity verification and faster claims processing.

ARPA also provides an additional $8 million to DOL in FY2021, available until expended, for necessary expenses to carry out federal activities related to the administration of UI programs.

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