

## e-Alert

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# COVID Stimulus Update

## Background

On March 11, 2021, President Joe Biden signed into law the [American Rescue Plan Act](#) (ARPA), a \$1.9 trillion relief bill containing financial benefits for individuals, businesses, state and local governments, and more.

## Summary

Measures of particular interest to employers and employees include the following:

- **Subsidy for COBRA premiums.** The subsidy covers 100% of an eligible individual's COBRA premium from April 1 through September 30, 2021. The subsidy is funded through refundable payroll tax credits and is not available to individuals who voluntarily terminated employment or are eligible for another group health plan.
- **Extension of employer tax credits for voluntary FFCRA leave.** Tax credits for employers who choose to provide employees paid leave under the Families First Coronavirus Response Act (FFCRA) are extended through September 30, 2021. Qualifying reasons for this voluntary FFCRA leave have been expanded, and the new law adds 10 days of voluntary FFCRA paid sick leave for employees, beginning April 1.

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- **Extension of pandemic-related unemployment benefits.** The \$300 weekly benefits provided under pandemic-related unemployment programs are extended through September 6, 2021. In addition, the first \$10,200 of unemployment benefits are exempted from federal income tax for each spouse in households with under \$150,000 in adjusted gross income.
- **Expansion of subsidy for ACA premiums.** The new law increases the dollar amount of, and expands eligibility for, subsidies for health insurance coverage purchased through the Affordable Care Act (ACA) Exchanges. These and other ACA affordability changes made by the law will expire after two years.
- **Increase in DCAP contribution limits.** For calendar year 2021, the law increases the annual contribution limit for a dependent care assistance program (DCAP) from \$5,000 to \$10,500 (and from \$2,500 to \$5,250 for married individuals filing taxes separately). Plans can be amended retroactively for the change so long as the amendment is adopted by the last day of the plan year in which the amendment is effective and the plan is operated in accordance with the amendment's terms beginning on its effective date.
- **Extension and expansion of employee retention tax credit.** The employee retention credit established under the Coronavirus Aid, Relief, & Economic Security (CARES) Act is extended through the end of 2021, and eligibility is expanded to cover some small startups and severely financially distressed employers.

## Employer Next Steps

- If you have further questions regarding how this new act affects employers and employees, please [email us](#).

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