

American Rescue Plan Act of 2021

The American Rescue Plan (ARP) Act of 2021 is the most recent federal COVID-19 relief package. The ARP provides \$1.9 trillion in mandatory funding, program changes and tax policy changes. The ACT is estimated to allocate \$360 billion to states and local governments and reduce federal tax revenue on net by \$590 billion over 10 years.

Oregon Tax Revenue Implications

1. Direct Effects

a. Unemployment insurance (UI) income exemption (rolling reconnect)

- Effective tax year (TY) 2020
- Exempts up to \$10,200 in UI income if AGI<150K
- UI income per taxpayer (up to \$20,400 exempt for joint)

Preliminary revenue impact: -\$200 to -\$250 million (FYs 2020-21 & 2021-22)

b. Earned income tax credit (EITC) (static date connection) OR credit= 9% or 12% of federal

- Effective TY 2021
- Expands EITC for childless taxpayers (credit amount, age parameters, identification requirements)
- Allows use of 2019 income in place of 2021 income in determining credit
- Expands for separated taxpayers living with children

Preliminary revenue impact: -\$13 million (2021-23 biennium)

2. Indirect Effects (through the federal tax subtraction)

Preliminary cumulative revenue impact: increase of \$155 to \$170 million (2021-23 biennium)

a. Recovery rebate payments (round 3 of payments)

- Refundable TY 2021 federal credit: \$1,400 per individual
- AGI phase out beginning: \$75,000 (single), \$150,000 (joint), \$112,000 (head of household)

b. Federal Child Tax Credit (TY 2021)

- Increases credit by \$1,000 (\$1,600 for child age<6)
- Qualifying child age limit increased from age 16 to 17
- Credit made fully refundable, advance payments beginning mid 2021
- AGI phase out of expansion: \$75,000 (S), \$150,000 (J), \$112,500 (HOH)

c. Federal Child & Dependent Care Tax Credit (TY 2021)

- Expands credit percentage and amount of qualified expenses
- Credit made refundable

d. Federal UI exemption

3. Other Provisions

- a. Worldwide interest allocation rules (TYs 2021 and later, revenue gain)
- b. Third party network transactions (CY 2022 and later, compliance/enforcement revenue gain)
- c. Student loan forgiveness exemption (TYs 2021-2025) (revenue loss)
- d. Pensions (extends amortization, near term revenue gain)
- e. Non-corporate business loss limit 1yr. extension (TY 2026 revenue gain/loss shift)

State & Local Aid

The Act also includes a provision that prohibits governments from using these funds to either directly or indirectly offset any reduction in net tax revenue made by law, regulation, or administrative interpretation. Examples include any reduction in a tax rate, a rebate, a deduction, a credit, or a delay in the implementation of a tax or tax increase.