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Exclusive Compliance Alerts from MZQ Consulting

March 12, 2021

NEW COVID-19 STIMULUS LAW CONTAINS MANY HEALTH COVERAGE PROVISIONS

As we have already shared, the American Rescue Plan Act of 2021 (ARPA) makes many changes to COBRA. It also includes several other provisions that impact health insurance coverage and group employee benefit plans. Here's a round-up of the other ways ARPA provides more health benefits to Americans.

More Tax Breaks for People Who Get Coverage Through Health Insurance Exchanges

ARPA makes exchange-based health insurance premium tax credits accessible to many more Americans for both 2021 and 2022. The ACA limited subsidized exchange coverage to people with family incomes between 100-400% of the federal poverty level. Now, for the next two years there will not be an upper income level cap for premium tax credits. Instead, for 2021 and 2022 only, no enrollee will pay more than 8.5% of their income for individual market exchange-based premiums. The value of the tax break will vary by each person's family income, but it will likely drive new people to the health insurance exchanges since so many individuals will benefit from reduced prices.

The new law will also make subsidies more valuable to people who have received unemployment compensation in the past year by taking that money out of their income calculations when it comes to determining the value of their subsidy. People whose family income for 2020 exceeded 400% of the poverty level won't need to pay back any excess tax credit monies either.

Anyone who already enrolled in exchange-based coverage without a subsidy but might now be eligible for one, or anyone whose subsidy might go up because of the new law can start claiming their tax credit right away. Or they can choose to reconcile the cost difference when filing 2021 income taxes.

More Business-Based Relief That Can Be Used To Offset Health Insurance Costs

For businesses affected by the pandemic economy, ARPA includes new funding to help them offset wages and health insurance costs, among other costs. Specifically, the new law provides the following:

Retention Tax Credit: Extends the employee retention tax credit through December 31, 2021. This refundable payroll tax credit is available to any size business that's experienced a 20% decrease in gross receipts when compared to the same quarter in 2019. Depending on business size, employers can claim the credit for actively working and/or furloughed employees. The maximum credit amount



is \$7,000 per qualified employee per quarter and it can be used to pay for both salary and health insurance benefit costs.

Paycheck Protection Program: Adds \$7.3 billion in funding to the PPP loan program. Qualified small employers and self-employed individuals can apply for the largely forgivable PPP loans, and use the funding to pay wages and health insurance costs.

Targeted Economic Injury Disaster Loan Program: Adds \$15 billion in new funding to the Small Business Administration's Targeted Economic Injury Disaster Loan program. Businesses with 10 or less employees that are experiencing extreme economic effects due to the national health emergency can use loan funds to help offset health insurance expenses and other costs.

More Paid Family and Sick Leave Tax Credits

The payroll tax credits for employers still opting to offer paid sick and family leave originally created by the Families First Coronavirus Response Act (FFCRA) were about to expire. Now they will continue through September 30, 2021. These tax credits cover the cost of wages and health insurance premiums for employees who are out on FFCRA leave. More entities are now eligible for the tax credits too. Any 501(c)(1) governmental organization with less than 500 employees can now opt for the leave and claim the credits. The overall tax credit amount for expanded family leave is also going up to \$12,000, and the two-week paid sick leave limit per employee will reset as of March 31, 2021. Notably for employers electing to provide these benefits, ARPA adds a new non-discrimination requirement. If an employer discriminates in favor of highly-compensated employees or based on an employee's hours of work or length of tenure, then they will no longer be eligible for the credits!

ARPA also gives employees more ways to qualify for the paid leave. Eligible employees can now take FFCRA sick leave when they need days off related to a COVID-19 vaccination. For those who are eligible for expanded paid family leave, the eligibility criteria now includes all of the reasons why an employee might be eligible for the FFCRA paid sick leave, and not just that their child's school or daycare option is closed due to COVID-19.

More Dependent Care Assistance Program Money

Finally, for 2021 only, employers can let eligible employees increase their dependent care assistance program contributions to \$10,500. This is a voluntary option for employers and will require a Section 125 Plan document update if a business decides to let employees make this change. We'll be in touch soon with more details on how this will work.

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