



WAYS AND MEANS

REPUBLICANS | KEVIN BRADY, REPUBLICAN LEADER

Key Ways and Means Provisions in the HEALS Act

TAX PROVISIONS

Second Round of Economic Impact Payments

- Creates a second round of EIPs at same amounts (\$1,200/\$2,400 and \$500 per dependent).
- The income limits remain the same as the first round of payments.
- All dependents of any age are now covered (includes adult dependents and college-aged dependents).
- Excludes deceased and imprisoned individuals:
 - Anyone who died prior to January 1, 2020 is excluded.
 - Prohibits Treasury from making payment to imprisoned persons.
- Protects EIPs from bank garnishment except for child support.
- Clarifies that if the representative payee/fiduciary receives EIP on behalf of the individual, it must be used for that individual.
- The EIP will be based on the individual's 2019 tax return (or 2018 tax return if their 2019 return is not yet filed).

Enhanced Employee Retention Tax Credit

- The CARES Act employee retention tax credit is expanded by:
 - Increasing the credit percentage from 50 percent to 65 percent of qualified wages paid
 - Increasing the amount of qualified wages from \$10,000 for the year to \$10,000 per quarter (limited to \$30,000 for the year)
 - Making it easier for businesses to qualify for the credit by decreasing the requirement that gross receipts decline by more than 50 percent to a 25-percent decline
 - Increasing the 100-employee threshold to 500 employees for purposes of the credit being based on all wages paid to an employee regardless of work status
 - Allowing employers to be eligible for both this credit and the PPP loans

Temporary Expansion of Work Opportunity Tax Credit (WOTC)

- WOTC is temporarily expanded by:
 - Adding a new targeted group, 2020 qualified COVID-19 unemployment recipients

- Increasing the credit amount for this group to 50 percent of the first \$10,000 of wages (from 40 percent of the first \$6,000)
- Removing the limitation on rehires for those in this new targeted group

Safe and Healthy Workplace Tax Credit

- Establishes a refundable payroll tax credit of 50 percent of an employer's
 - Employee protection expenses (e.g., PPE, testing, cleaning)
 - Workplace reconfiguration expenses (e.g., barriers, signage, etc.)
 - Workplace technology expenses (e.g., contactless point-of-sales systems)
- The amount of the credit is limited based on the amount of the employer's average number of employees, and is equal to the sum of:
 - \$1,000 for each of the first 500 employees
 - \$750 for each employee between 500 and 1,000
 - \$500 for each employee that exceeds 1,000
- This credit is based on Mr. Rice's Healthy Workplace Tax Credit

COVID-19 Assistance Provided to Independent Contractors

- Establishes a safe harbor that allows marketplace platform companies to provide specified COVID-19-related assistance to service providers without jeopardizing the service provider's independent contractor status for tax purposes.
- This related assistance includes financial assistance, health-care costs, cleaning supplies, and training.

CARES Act Technical Changes

- Provides a handful of technical changes to the CARES Act, including:
 - Extending CARES Act penalty-free retirement withdrawals to money purchase pension plans
 - Clarifying due date for plan minimum contributions
 - Clarifying employee self-certification for Coronavirus-related retirement loans or distributions
 - Coordinating farmer's 2-year NOL carryback rules with CARES Act 5-year NOL carryback rules

Senator Graham's "US Made Act"

- The US Made Act has 3 provisions:
 - It expands the Berry Amendment to require that any HHS purchases of PPE and related textile products for the stockpile must be manufactured domestically and from U.S. components, unless HHS determines that the product is not available in sufficient quality/quantity or if the purchase is below the threshold.
 - New Treasury program to allocate up to \$7.5 billion of tax credit to taxpayers that invest in manufacturing machinery and equipment to manufacture PPE in the United States.
 - Taxpayers that receive credits from Treasury are permitted to repatriate, on a tax-free basis, IP used in connection with the production of PPE back to the United States.
- The tax provisions in the US Made Act (2nd & 3rd bullets above) are narrower versions of Mr. Wenstrup's Advanced Medical Manufacturing Tax Credit and of Mr. LaHood's Bringing Back American Jobs Through IP Repatriation Act.

UNEMPLOYMENT PROVISIONS

Supports the Unemployed While Phasing Out Disincentives to Work

- Moves to a system that caps the enhanced unemployment benefit at no more than 70% of an individual's prior wages.
- August-September: Provides a flat payment for two months (\$200/week)
- October-December: 70% of an individual's prior wages, with the supplement not to exceed \$500/week
- Flexible language that allows a state to do the exact calculation per person, or propose another approach for approval by the Secretary to achieve this outcome
- Waiver: States could get a waiver for up to two months if they can't do 70% of wages by October (or have something worked out with the Secretary by then), but by November 30 everyone would have to either be doing 70% of wages or another approach they've worked out with the Secretary

Strengthens Return to Work Reporting and Reduces Fraud

- Includes the Brady return-to-work reporting requirements which requires states to notify individuals of their obligations to return to work and to notify employers of this same information.
- Strengthens program integrity by requiring documentation of lost income for applicants of Pandemic Unemployment Assistance within 21 days. Currently applicants may self-certify.

Prevents Further Layoffs Among Nonprofits and State and Local Governments

- Helps nonprofits and local governments who are struggling to cover the unemployment insurance claims of their employees by reimbursing them 75% of the costs, up from 50% in CARES.

Provides Funding for Improvements to State Unemployment Systems

- Provides an additional \$2 billion to assist states in upgrading their state unemployment insurance systems to be better prepared to handle a surge in claims and adjust wage replacement levels.

Stimulus Payments Offset Decrease in Unemployment Benefits

- Includes an additional round of \$1,200 stimulus payments. This means workers on unemployment for the next two months will get the \$200/week enhanced supplement plus an equivalent of \$150/week through the stimulus – or \$350/week.

STATE AND LOCAL GOVERNMENT PROVISIONS

Key Brady Provisions for State and Local Governments in Republican Draft

- Ensures that states will share money with local governments without allocating additional Coronavirus Relief Fund (CRF) funds.
- State/local governments can use CRF funds to make up lost revenues only if certain conditions are met:
 - 25 percent of state CRF funds must be given to local governments; and

- once that money is shared, there is a cap of 25 percent on spending for lost revenue.
- The date for using CRF funds is extended from Dec. 30, 2020 to 90 days after the end of the state's fiscal year 2021.
- No State Budget Gimmicks:
 - No funds can be used for pensions or retirement benefits;
 - No funds can be used to replenish a state or local rainy-day fund; and
 - States must maintain their own budgeted spending levels (can't use the federal dollars to replace state spending).
- States may not impose any excessive restrictions/conditions on the use of CRF funds by their local governments other than those set in the CARES Act and associated Treasury Department guidance.
- States that fail to share with local governments or that place excessive conditions on local governments will be prioritized for audit by the Treasury Inspector General.

HEALTH PROVISIONS

Increased Flexibility for Workers' Care and Wellness Benefits

- Helps more than 20 million Health Savings Accounts (HSA) users take advantage of their employer's on-site health clinic, if one is available. This is a Mike Kelly priority.
- Allows workers to rollover unused money they set aside in their Flexible Spending Accounts (FSA) for this plan year into the 2021 plan year. This is important because many workers were unable to spend funds they set aside for health care expenses in plan year 2020 because elective procedures were postponed. This is a Brad Wenstrup priority.
- Allows workers to rollover the money they set aside in their Dependent Care Flexible Spending Accounts (DCFSA) for this plan year into the 2021 plan year. This is important because many workers were unable to spend funds they set aside for child care expenses in plan year 2020 because services like day cares were closed. This is a Brad Wenstrup priority.

Telehealth expansions

- Guarantees a period of certainty in which Medicare beneficiaries have continued access to providers in the safest possible setting by maintaining current expansions of telehealth through the length of the public health emergency, or December 31, 2021, whichever is later. Requires public data posting and analysis of these flexibilities. Permanent expansion of telehealth is a priority of many members of the committee, led by Devin Nunes.
- Allows employers to offer telehealth coverage as a standalone or "excepted benefit" to employees who are not full-time or do not qualify for their employer's coverage. This is a Jackie Walorski priority.