

Vermont Legislative Joint Fiscal Office

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ISSUE BRIEF

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The Federal CARES Act – A Preliminary Overview of Elements Related to Unemployment Benefits and Rebates to Households *Subject to Change as More Information Becomes Available*

Summary

This Issue Brief contains an early overview of federal bill H. 748, “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act” as it relates to unemployment benefits and rebates to households. This overview is based on a brief review of the bill. The U.S. Senate has passed the bill, and the U.S. House is expected to do so. However, some elements of the unemployment benefit provisions remain controversial. We will update this Issue Brief as the bill changes.

Unemployment benefits

New program: Pandemic Unemployment Assistance; *Sec 2102*

- Provides unemployment benefit assistance to any covered individual while such individual is unemployed, partially unemployed or unable to work because of COVID-19
 - For unemployment related to COVID-19 beginning on or after Jan. 27, 2020 and until Dec. 31, 2020
- Provides benefits for the self-employed, independent contractors, those with limited work history, and others who would not otherwise qualify for unemployment compensation under state law
- The federal government will pay the entire amount of unemployment benefits plus any additional administrative costs incurred by the states

Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations; *Sec.2103*

- Provides payment to states to reimburse nonprofits, government agencies, and Indian tribes for half of the costs they incur through December 31, 2020 to pay unemployment benefits

Add-on UI benefit: Federal Pandemic Unemployment Compensation; *Sec 2104*

- \$600-per-week across-the-board increase in unemployment benefits for all workers claiming them

- This means more than 100% wage replacement for workers earning less than \$600 per week, or about \$31,000 per year if working full-time
 - The average weekly unemployment benefit in Vermont in 2018 for full-time workers was \$364.14
 - The maximum weekly benefit in Vermont in 2020 is \$513
- Applies for weeks of unemployment through the end of July 2020

Cover full cost of the 1st week of UI benefits in states with no waiting period; *Sec.2105*

- The federal government pays the entire amount of the 1st week of benefits in VT
- Applies to 1st weeks of unemployment beginning with date of agreement with states and ending Dec. 31, 2020

Flexibility for states; *Sec. 2107*

- If COVID-19 prevents work search, states can be flexible in applying that requirement
- States cannot reduce the amount of regular unemployment benefits below the amount available on Jan. 1, 2020 if they receive federal funds to pay for unemployment benefits

Incentives for work-sharing (short-time compensation); *Sec. 2108, 2109*

- The federal government covers 100% of short-time compensation (lost wages for workers whose hours have been reduced) in states with existing programs; it covers 50% of lost wages for workers whose hours have been reduced in states that set up new short-time compensation programs
 - Does not apply to seasonal, temporary, or intermittent workers
- Employer will pay the state an amount equal to 100% of the amount of short-time compensation; that amount will be deposited in the state's unemployment fund and does not count toward the employer's contribution rate
- Begins on enactment, ends on Dec 31, 2020
- Some grants will be available to states that enact short-time compensation programs to help with implementation, improved administration, promotion, or enrollment

Assistance and guidance forthcoming from the U.S. Secretary of Labor; *Sec. 2111*

- The Secretary will develop model language
- Offer technical assistance and guidance
- Establish reporting requirements

Railroad Unemployment Insurance program has changes as well; *Sec 2112*

- 13 week extension
- Extra \$600/week

2020 recovery rebates to households; Sec. 2201

- \$1,200 in direct payments to U.S. residents with adjusted gross income (AGI) up to \$75,000 per year, phasing out to zero if AGI is \$99,000
 - Recipients cannot be a dependent of another taxpayer and must have a work eligible social security number
 - The payment amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold
- Married couples with no children making up to \$150,000 per year would receive \$2,400, phasing out to zero at \$198,000
- Families would receive an additional \$500 per child.
 - Head of household filers with one child making up to \$112,500 would receive \$1,700, phasing out to zero at \$146,500.
- Most individuals will not need to take action to receive the rebate; the IRS will use a taxpayer's 2019 tax return if filed, or if necessary their 2018 return.