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Legislative update: President-elect Biden announces “American Rescue Plan”—includes tax components

President-elect Joe Biden, in a speech this evening (January 14, 2021), unveiled the first step in his two-step plan for rescue and recovery—the “American Rescue Plan.” He indicated that he will lay out the second step, the “Build Back Better Recovery Plan,” next month in his first appearance before a joint session of Congress.

A [fact sheet](#) [PDF 149 KB] (19 pages) released by the Biden-Harris transition team explains that the American Rescue Plan is an emergency legislative package to fund vaccinations, provide relief to families “bearing the brunt” of the coronavirus (COVID-19) pandemic, and support struggling communities. The plan reportedly would cost around \$1.9 trillion over the budget window.

Based on the fact sheet, the plan appears to include the following tax proposals:

- Cash payments of \$1,400 per person for some individuals (in addition to the \$600 payments provided by legislation enacted last December), presumably through the tax credit mechanism used for previous “recovery rebates”
- Extending the refundable credit for certain paid leave programs
- Temporarily expanding and making refundable childcare tax credits
- Temporarily making the child tax credit fully refundable, making 17-year-olds qualifying children, and increasing the amount of the credit
- Temporarily expanding the earned income tax credit
- Increasing the value of the health insurance premium tax credit.

In general

As a general matter, president-elect Biden’s proposed American Rescue Plan includes the following three components:

- Mounting a national vaccination program, safely reopening schools, and containing COVID-19 (including through testing, eliminating supply shortage problems, and investing in treatments)

- Sending additional checks to certain households, providing direct housing and nutrition assistance, expanding access to childcare and affordable healthcare, increasing the minimum wage, and extending and expanding unemployment insurance benefits while providing a \$400 per week supplement to some through at least September 2021
- Supporting struggling communities by providing support for the hardest hit small businesses, especially businesses owned by entrepreneurs of color, and protecting the jobs of essential workers.

In his speech, Biden indicated that the second step of his plan, the Build Back Better Recovery Plan, “will make historic investments in infrastructure and manufacturing, innovation, research and development, and clean energy,” as well as investments in the caregiving economy and in skills and worker training. He also indicated that the costs of permanent investments would be paid for by making sure that everyone pays their fair share in taxes, stating that “we can do it without punishing anyone by closing tax loopholes for companies that ship American jobs overseas or that allow American companies to pay zero in federal income taxes.”

Legislative outlook for American Rescue Plan

Joe Biden and Kamala Harris will be sworn in as president and vice president, respectively, on January 20, 2021.

The U.S. House of Representatives currently consists of 222 Democrats, 211 Republicans, and 2 vacant seats. Once the winners of the two recent Georgia run-off elections have been certified and sworn in as U.S. Senators, the U.S. Senate will be split equally between Democrats and Republicans. As vice president, Kamala Harris would be able to cast tie-breaking votes and Democrats would functionally control the Senate. As a result, the White House as well as both chambers of Congress soon will be controlled by Democrats.

In his speech, President-elect Biden indicated that he looks forward to working with members of Congress from both parties to move quickly to enact the American Rescue Plan, and then moving with equal urgency and bipartisanship to the Build Back Better Recovery Plan. If, however, there is not sufficient bipartisan support to garner at least 60 votes in the Senate, Democrats might use budget reconciliation procedures to move the rescue plan through the Senate with a majority vote. The use of budget reconciliation would require Congress first to pass a FY2021 budget resolution in order to begin the procedural process necessary to allow the use of the reconciliation procedures.

The proposed legislation can be expected to be modified as it moves through the legislative process, particularly as may be necessary if it is bipartisan, rather than passed using reconciliation procedures.

Read the [KPMG report on tax policy implications of a possible Democratic Senate](#) [PDF 1.6 MB] for more information and observations regarding the possible legislative agenda the rest of this year.

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