



TaxNewsFlash

United States



No. 2021-101
March 6, 2021

Legislative update: Senate passes its version of COVID-19 relief bill

The U.S. Senate today passed its version of H.R. 1319, the “American Rescue Plan Act of 2021,” by a vote of 50-49.

Prior to approving the bill, the Senate modified the House-passed version of the bill. Read about the bill as approved by the House of Representatives on February 27, 2021: [TaxNewsFlash](#)

The Senate’s version of the legislation would—according to an [estimate](#) [PDF 86 KB] from the Congressional Budget Office—be expected to increase the deficit by \$1.87 trillion over 10 years.

Senate’s version of the bill

Read [text](#) of the Senate’s version of the bill (as released on March 9, 2021).

Very generally, it is understood that the following new provisions are included in the Senate-passed version of the bill:

- Limitation on excessive employee remuneration—Section 162(m) would be modified to expand the denial of deduction for compensation paid to certain highly compensated employees.
- Limitation on excess business losses of noncorporate taxpayers—Section 461(l)(1) limiting excess business losses, enacted in the “Tax Cuts and Jobs Act,” would be extended by one year (through 2026).
- Taxation of unemployment compensation—A portion of unemployment compensation received by taxpayers with certain adjusted gross income would be temporarily excluded from gross income.
- Student loan forgiveness—Amounts related to the discharge of certain student loan debt for certain years would be excluded from gross income.

Modifications to tax-related provisions contained in the House-passed version of the bill include the following:

- 2021 recovery rebates—The AGI phase-out levels for receipt of recovery rebates would be modified to further limit taxpayers who are eligible for rebates.
- Credits relating to certain paid employee leave—The provisions regarding credits for paid sick and family medical leave would be modified.
- Employee retention credit—The credit available for recovery startup businesses would be modified to make the credit more broadly available.
- COBRA—The amount of premium assistance for COBRA coverage provided to certain individuals and families would be modified.

In addition, a provision relating to cost-of-living adjustments applicable to certain employer pension plans (which was included in the House-passed version of the bill) was not included by the Senate in its version of the bill.

As legislative text becomes available, this report will be updated to provide specifics related to Senate modifications to the House bill.

Budget reconciliation

Some of the Senate modifications to the House-passed version of the bill were made to ensure that the provisions of the bill comply with the requirements of the budget reconciliation process.

Budget reconciliation is a process under which spending and revenue legislation (including tax measures) is not subject to potential Senate filibuster, and thus may be passed by a simple majority vote in the Senate. To retain the protection from a Senate filibuster that the reconciliation rules provide, provisions in the legislation being considered under the budget resolution must meet a number of complex requirements. Any senator can raise a point of order against any provision that does not meet these requirements.

The ability to use these rules was “unlocked” when the House and Senate agreed to a budget resolution for FY 2021 on February 5, 2021. The budget resolution permits the reconciliation bill (produced pursuant to its instructions) to increase the deficit by a maximum of \$1.9 trillion over the 10-year budget window.

What’s next?

The House and Senate have passed different versions of the bill. The House may now either pass the Senate version, or alternatively, the House and Senate can negotiate a new version of the bill for the president’s signature. Congressional Democratic leaders have set March 14—the date of expiration of federal extended and enhanced unemployment benefits—as a target deadline for final passage.

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