Unemployment Compensation Update
Extensions in the American Rescue Plan (P.L. 117-2)
March 15, 2021


The American Rescue Plan is the sixth COVID-19 relief law enacted during the current public health pandemic. The new law extends unemployment compensation through September 6, 2021. In addition, up to $10,200 in unemployment compensation is exempted from federal tax for 2020 income for taxpayers with income under $150,000.

Also, through September 6, 2021, the new law continues 100% federal funding for state Short-Time Compensation (STC) programs if legislatively enacted. For states with an STC agreement through the U.S. Department of Labor, federal funding for STC covers 50% of program costs.

Unemployment Compensation Highlights

The American Rescue Plan (P.L. 117-2) enacted on March 11, 2021 extends and modifies a number of unemployment compensation programs as described below.

Pandemic Unemployment Assistance (PUA)

Pandemic Unemployment Assistance (PUA) for self-employed workers, gig workers, independent contractors, and others who typically are excluded from state unemployment benefits (originally created in the CARES Act) is now extended through September 6, 2021. Originally, PUA was available for up to 39 weeks. The December law extended PUA for up to 50 weeks. The new law extends PUA up to 79 weeks.

Federal Pandemic Unemployment Compensation (FPUC)

The Federal Pandemic Unemployment Compensation (FPUC) program under the CARES Act paid a weekly supplement to individuals receiving unemployment compensation (state or federal) of $600 per week, which expired July 31, 2020. The December COVID relief law restored the weekly supplement at $300 per week through March 14, 2021. The new law extends FPUC at $300 per week through September 6, 2021.

Pandemic Emergency Unemployment Compensation (PEUC)

The Pandemic Emergency Unemployment Compensation (PEUC) program, which under the CARES Act was available to individuals who exhausted state or federal unemployment compensation, provided an additional 13 weeks of unemployment benefits. The December COVID relief law extended PEUC to 24 weeks through March 14, 2021. The new law extends PEUC to 53 weeks through September 6, 2021.

Unemployment for Governmental Entities and Nonprofits

Under the CARES Act, employers that otherwise had “reimbursable” unemployment arrangements (e.g., they reimbursed state unemployment agencies for unemployment compensation paid), were allowed to pay 50% instead of 100% because the federal government paid 50% of the cost of such benefits. The December COVID relief law extended this federal cost-sharing through March 14, 2021. The new law increases the federal share to 75% for payments after March 31, 2021 through September 6, 2021.

Extension of Federal Funding for the First Week of Benefits

Prior to the COVID-19 public health pandemic, most states had a “waiting week” that delayed the first payment of unemployment compensation to eligible individuals. Under the CARES Act, the federal government paid 100% of benefits for the first week of unemployment compensation in an effort to eliminate “the waiting week”. The December law extended federal assistance at 50% to help offset the cost to states for “the waiting week” through March 14, 2021. The new law restores 100% federal
financing retroactively to December 31, 2020. It also extends such assistance through September 6, 2021.

**Mixed Earner Unemployment Compensation**

The December law provided 100% federal financing for $100 per week to individuals who have at least $5,000 per year in self-employment income and who are disqualified from receiving Pandemic Unemployment Assistance (PUA) because they are eligible for regular state unemployment compensation. Individuals who receive the mixed earner $100 weekly benefit are also eligible for the $300 per week under the Federal Pandemic Unemployment Compensation (FPUC) program. The new law extends the mixed earner provisions through September 6, 2021.

**Federal Funding for Extended Benefits (EB)**

For high unemployment states, the new law extends 100% federal financing for Extended Benefits (EB) through September 6, 2021. Historically, EB has been funded through a 50/50 cost sharing arrangement with states, but federal funding was increased to 100% in two prior COVID relief laws enacted in 2020.

**Accountability Changes for Unemployment Receipt**

Under the December COVID relief law, new applicants for Pandemic Unemployment Assistance are required to submit documentation to substantiate employment or self-employment within 21 days. States are required to have verification procedures in place for all applicants.

**Return to Work Reporting**

Under the December COVID relief law, states are required to have a process in place to address when individuals receiving unemployment refuse to return to work or refuse to accept an offer of suitable employment without good cause.

States are required to provide a “plain language” notice to unemployment claimants about state return to work laws, rights to refuse to return to work or to refuse suitable work (including what constitutes suitable work), and an individual’s right to refuse work that poses a risk to his or her health or safety. States are required to provide such individuals with information about how to contest the rejection of a claim that has been denied due to a report by an employer that the individual refused to return to work or refused suitable work.

**Short-Time Compensation Programs**

Under the CARES Act, the federal government paid 100% of unemployment benefits and related administration costs for states with legislatively enacted Short-Time Compensation (STC) programs and 50% for administratively approved STC programs. The December COVID relief law provided an extension through March 14, 2021. The new law extends such federal assistance through September 6, 2021.

**Federal Tax Exemption**

Under the new law, up to $10,200 in unemployment compensation is exempted from federal tax for 2020 income for taxpayers with income under $150,000.

---

**Unemployment Pathway: States Determine Route of Assistance**

- **State Unemployment Benefits**
- **Exhausted UC? Receive Pandemic Emergency Unemployment Compensation (PEUC)**
- **Exhausted PEUC? Receive Extended Benefits (EB)**
- **Pandemic Unemployment Assistance (PUA)**
  - Self-employed
  - Independent Contractors
  - Gig workers
  - Others not eligible for state unemployment

All State & federal unemployment supplemented with Federal Pandemic Unemployment Compensation (FPUC, $300 per week)