

NAHMAanalysis

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

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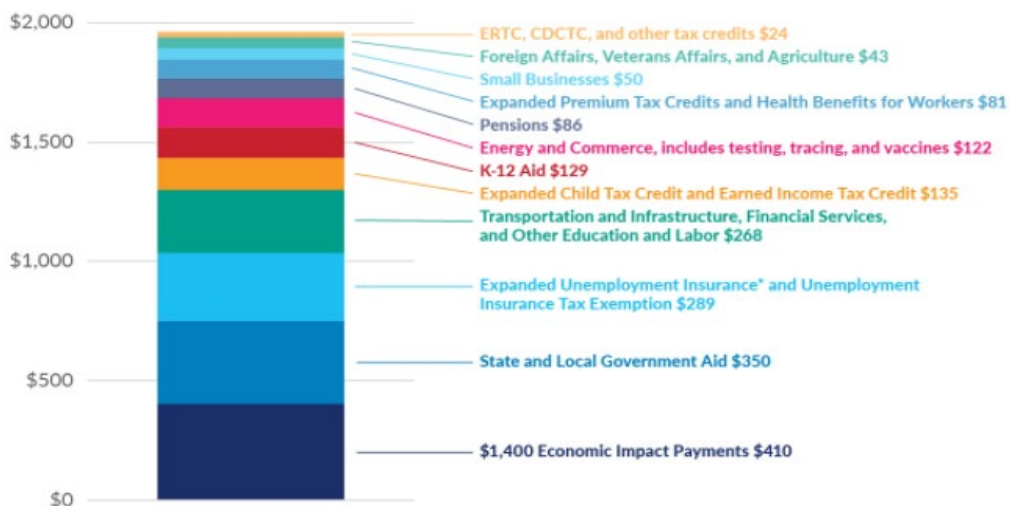
The American Rescue Plan Act

Executive Summary

This NAHMAanalysis examines the American Rescue Plan Act, signed into law by President Biden on March 11, 2021. The American Rescue Plan Act provides urgently needed COVID-19 relief, including almost \$28 billion for housing providers, renters and those at risk of eviction. These resources are provided in addition to the \$25 billion in emergency rental assistance approved by Congress in December 2020. The bill also seeks to reduce the number of people in poverty by over 13 million (including 5.7 million children) through additional provisions, such as larger stimulus checks, more aid for the unemployed, help for the hungry, more child care funding, expanded health coverage, increased funding for vaccinations, and additional support for states, local governments and schools.

What's in the \$1.9 Trillion American Rescue Plan Act?

Topline summary of relief in Billions of Dollars



Note: *Subject to change pending estimate of Senate version of unemployment insurance expansion.
Source: Joint Committee on Taxation and Committee for a Responsible Federal Budget

➤ **Emergency Rental Assistance (\$27.5 billion)**

The American Rescue Plan provides \$27.45 billion for rental assistance. Of that amount, \$21.55 billion will be funded through the Coronavirus Relief Fund (CRF) and administered by the U.S. Department of the Treasury. A total of \$2.5 billion will be distributed to high-need communities. These funds will be distributed based on the number of very low-income renter households paying more than 50 percent of income on rent or living in substandard or overcrowded conditions, rental market costs, and employment trends. Additional funding provided in the bill includes:

- **\$152 million** to provide small state minimums (down from \$200 million provided in December)
- **\$305 million** set aside for territories (down from \$400 million provided in December)
- **\$100 million** in rental assistance to assist rural households living in USDA-financed properties. Funds are available until September 30, 2022, and they may be used to cover back rent and ongoing rental assistance.
- **\$750 million** to tribal nations through the Native American Housing Block Grants, Native Hawaiian Housing Block Grants, and Indian Community Development Block Grants programs.
- **\$100 million** for the Neighborhood Reinvestment Corporation (NeighborWorks) to enable housing counselors to respond to the surge of demand for services, which include foreclosure and eviction mitigation counseling, due to the economic impact of the COVID-19 pandemic.

Allocations The first 40% of funds must be paid to grantees within 60 days of enactment. When a grantee has obligated not less than 75% of funds already dispersed, the Treasury Secretary may provide additional disbursements of the grantee's allocation.

Eligibility Households are eligible for emergency rental assistance funds if one or more individuals: (1) has qualified for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship during or due, directly or indirectly, to the pandemic; (2) can demonstrate a risk of experiencing homelessness or housing instability; and (3) has a household income below 80% AMI. States and localities must prioritize households below 50% of AMI or those who are unemployed and have been unemployed for 90-days. States and localities can provide additional prioritization of funds.

Use of Funds The funds must be used to provide financial assistance, including back and forward rent and utility payments, and other housing expenses. Assistance can be provided for 18 months. Not more than 10% of funds may be used to provide case management and other services intended to help keep households stably housed. Not more than 15% of funds paid to a state or local government can be used for administrative costs.

Deadlines After March 31, 2022, the Treasury Secretary may recapture excess funds not obligated by a state or locality and reallocate and repay these dollars to eligible grantees who, at the time of such reallocation, have obligated at least 50 percent of the amount originally allocated and have met other criteria. Funds not obligated may be used to provide affordable

housing to very low-income households, so long as the grantee has obligated at least 75% of its total allocation. Funds provided under this bill are available until September 30, 2025. The bill also extends the deadline to spend the initial \$25 billion tranche of funding provided by Congress in December 2020 from December 31, 2021 to September 30, 2022.

➤ **Emergency Housing Vouchers (\$5 billion)**

Use of Funds The bill provides \$5 billion for housing vouchers, with funds available through September 30, 2030. These funds must be used to provide and renew emergency vouchers, to cover administrative costs, and to make adjustments for public housing agencies that would otherwise be required to terminate rental assistance due to a significant increase in voucher per-unit costs due to extraordinary circumstances.

Eligibility Under the bill, households are eligible for emergency vouchers if they (1) are or are at risk of experiencing homelessness, (2) are fleeing or attempting to flee domestic violence, dating violence, stalking, sexual assault, or human trafficking, or (3) are recently homeless and rental assistance will prevent the family's homelessness or having a high risk of housing instability.

Allocations Public housing agencies will be notified of the number of vouchers allocated to them within 60 days. Vouchers will be distributed by a formula that includes capacity and ensures geographic diversity. The Secretary may revoke and redistribute any unleased vouchers after a reasonable time.

Termination After September 30, 2023, a public housing agency may not reissue any vouchers when assistance for the family that is being assisted ends.

Waiver Authority The bill provides broad authority to the Secretary to waive or provide alternative requirements that are necessary to expedite or facilitate the use of funds.

➤ **Additional Relief Provided for Housing and Homelessness**

To support homeowners, fair housing initiatives, and those experiencing homelessness, the American Rescue Plan Act also includes:

- \$5 billion for the Emergency Solutions Grants program to enable state and local governments to finance housing and health-related services for the hundreds of thousands of people currently experiencing homelessness, including the acquisition of hotels and motels to serve as transitional and permanent supportive housing.
- \$10 billion to support homeowners struggling to afford their housing due directly or indirectly to the impacts of the COVID-19 pandemic by providing direct assistance for mortgage payments, property taxes, property insurance, utilities, and other housing related costs.

- \$39 million for the Department of Agriculture to continue providing Section 502 and 504 home loans, which help low- and very-low income borrowers to purchase, repair and rehabilitate housing in rural areas, while helping existing USDA borrowers who are struggling to afford their housing during the COVID-19 pandemic.
- \$20 million to ensure fair housing organizations have additional resources to address fair housing inquiries, complaints, investigations, and education and outreach activities, during or relating to the coronavirus pandemic.
- \$10 billion towards Treasury's State Small Business Credit Initiative (SSBCI) to support state, territory, tribal, and local small business programs. This will support up to \$100 billion in low cost financing and technical assistance to small and minority-owned businesses harmed during the pandemic and to support a robust recovery.
- \$4.5 billion for the Low Income Home Energy Assistance Program (LIHEAP) to help households pay for heating and cooling, plus another \$500 million to help with water bills, through a new Low Income Household Drinking Water and Wastewater Emergency Assistance Program, all funded through September 30.

➤ **Economic Recovery Stimulus Payments**

The bill provides a one-time payment of \$1,400 per person to eligible recipients. Single filers with incomes greater than \$75,000 will receive less than the full \$1,400, with no payments to those with incomes of \$80,000 or more. For heads of households, the payment starts phasing down above \$112,500, with no payments to those with incomes of \$120,000 or more. For joint filers, the amount starts phasing down above \$150,000, and couples with incomes of \$160,000 or more would not receive a check. The stimulus payments cover all dependents – children and adults – who have a Social Security number, even if none of the taxpayers claiming the dependent file with one. However, the bill does exclude 9.3 million immigrants who file taxes with Individual Taxpayer Identification Numbers (ITIN).

➤ **Unemployment Insurance and Benefits**

The bill changes the duration and amount of Federal Pandemic Unemployment Compensation, and provides an additional \$300 in the weekly federal unemployment insurance benefit. This federal add-on to state benefits was extended until September 6. Also extended through September 6 were the Pandemic Emergency Unemployment Compensation program that applies to jobless Americans who have exhausted their state benefits, and the Pandemic Unemployment Assistance program that provides benefits to the self-employed, independent contractors, gig workers, and certain others affected by the pandemic. All three benefit programs were set to expire on March 14. The American Rescue Plan also exempts up to \$10,200 in unemployment benefits received in 2020 from federal income taxes for households making less than \$150,000.

➤ **Temporary Child and Earned Income Tax Credit Increases**

The bill increases the maximum Child Tax Credit (CTC) for one year from \$2,000 to \$3,600 for children under age 6 and to \$3,000 for those from ages 6 through 17 (the CTC previously reached children through age 16). The credit will also be made fully refundable, meaning families whose income is too low to owe federal income tax would receive the full amount. The CTC begins to phase out for single heads of households at an income of \$112,500, and at \$150,000 for married couples. At an income level of \$170,000, a married couple would no longer be eligible for the additional \$1,000 credit for their child over age 6, but the remaining \$2,000 in the CTC would phase down more slowly, ending altogether at \$400,000. The expansion of the Child Tax Credit will cut child poverty by more than 40 percent. According to the Center on Budget and Policy Priorities, currently about half of all Black and Latino children get only a partial Child Tax Credit or no credit at all because their families' incomes are too low to qualify for the full credit. In all, 27 million children in families with low or no income will now get the credit.

The bill triples the maximum Earned Income Tax Credit for a year to close to \$1,500 for childless adults, helping more than 17 million workers. Puerto Rico will get a federal match of up to three times the current cost if it chooses to increase the EITC for workers without children. The law also includes a full extension of Child Tax Credit benefits to Puerto Rico and a federal supplement to help expand Puerto Rico's Earned Income Tax Credit.

The bill also expands the use of the Child and Dependent Care Tax Credit, which would allow families to receive a tax credit for up to 50 percent of the child or dependent care expenses, to a maximum of \$4,000 per dependents or \$8,000 for two or more dependents, phasing out as incomes rise. For one year, this credit will be fully refundable (that is, fully available to households even if they owe less in income taxes than the credit is worth).

➤ **Conclusion**

Having passed the American Rescue Plan Act, Congress must continue to provide oversight and ensure that funds are distributed swiftly, efficiently and in a manner that allows for flexibility that gets assistance to all of those in need. Resources need to continue to be targeted towards lower-income households, create a simple application process, and avoid onerous documentation requirements for tenants.

In the past, newly established programs initially had more difficulty getting funds out the door than existing programs modified in response to COVID-19. They were ultimately able to adapt and were also effective by the end of 2020. While working to reduce delays in implementation and to avoid funding delays, Congress should also promote and leverage local networks, including partnerships with local nonprofits, to ensure funds go to renters in need.

As the recovery efforts continue, Congress will shift focus towards a much broader recovery package, possibly coupled with an infrastructure bill. However, if further emergency pandemic relief is necessary, Congress should continue to prioritize relief to as wide a population as possible and avoid creating multiple programs with different rules that ultimately may damage housing stability efforts and cause unnecessary confusion.