



AAU SUMMARY OF THE AMERICAN RESCUE PLAN ACT OF 2021

Last Updated March 10, 2021

OVERVIEW:

On March 10, the House of Representatives passed the [American Rescue Plan Act of 2021](#) and sent it to President Joe Biden's desk for his signature. The Senate previously approved the bill on March 6. The president is expected to sign the bill before federal unemployment benefits expire on March 14.

STUDENT AND HIGHER EDUCATION RELIEF:

Higher Education Emergency Relief Fund: The bill provides \$39.585 billion to the Department of Education for the Higher Education Emergency Relief Fund. The formula for institutional allocations is the same as specified in H.R. 133, the "[Coronavirus Response and Relief Supplemental Appropriations Act, 2021](#)," or CRRSAA. However, some of the terms and conditions were changed, including removal of the CRRSAA provision [Section 314 (d)(6)(A)] that reduced the allocation by 50 percent to private institutions that paid the excise tax on investment income (IRC Sec. 4968) in 2019.

Student Aid Administration: The bill provides \$91.130 million to the Department of Education for Student Aid Administration to prevent, prepare for, and respond to coronavirus, including direct outreach to students and borrowers about financial aid, economic impact payments, means-tested benefits, unemployment assistance, and tax benefits for which students and borrowers may be eligible.

90/10 Rule: The 90/10 rule requires for-profit institutions to derive at least 10 percent of their revenue from non-federal student aid. Often seen as a "loophole," veterans' benefits have been excluded from the federal revenue calculation. This legislation adjusts the 90/10 rule to count veterans' benefits as federal revenue. This would tighten restrictions on how much federal funding for-profit institutions can receive. An amendment adopted in the Senate delays changes to this rule by 6 months. Therefore, it puts off making changes to the 90/10 rule through the rulemaking process until October 1 and postpones counting non-federal dollars until the 2023 fiscal year.

AGENCY RELIEF:

Institute of Education Sciences: The bill provides \$100 million to the Department of Education's Institute of Education Sciences to carry out research related to addressing learning loss caused by the coronavirus and to disseminate such findings to state and local educational agencies.

National Endowment for the Humanities: The bill provides \$135 million for NEH. These funds will support museums, libraries, historic sites, historical societies, archives, and humanities departments to survive the economic challenges posed by the pandemic.

National Science Foundation: The bill provides \$600 million to the National Science Foundation to fund or extend new and existing research grants, cooperative agreements, scholarships, fellowships, and apprenticeships, and related administrative expenses to prevent, prepare for, and respond to coronavirus.

National Institute of Standards and Technology: The bill provides \$150 million to the National Institute of Standards and Technology to fund awards for research, development, and testbeds to prevent, prepare for, and respond to coronavirus. None of the funds provided in this section will be subject to cost share requirements.

TAX PROVISIONS:

Student Loan Forgiveness: The bill excludes from taxable income the outstanding balances of student loans forgiven from January 1, 2021 through December 31, 2025.

Employee Retention Tax Credit: The bill extends the Employee Retention Tax Credit, or “ERTC,” for an additional six months, through the end of 2021. The ERTC is equal to 70 percent of qualifying wages and health benefits, capped at \$10,000 wages per quarter, paid to employees of private and public universities that are subject to government orders to shut down partially or completely.

Paid Family Leave and Medical Leave: The bill extends and modifies the tax credit for employers that choose to provide paid family and medical leave for COVID-related absences through September 30, 2021. The act adds vaccinations as a qualifying reason for a tax credit for paid leave. Until March 31, the tax credit applies to both Medicare and Social Security payroll taxes; after March 31 it applies only to the Medicare share of payroll taxes. [Please note: The IRS guidance appears to provide that the tax credit is still available only to employers with fewer than 500 employees and not to public universities – see these [general FAQs](#) and these FAQs regarding [eligible employers](#).]

Resource: [Congressional Research Service: Tax Provisions Related to Promoting Economic Security](#)