







## ACA

The ARPA temporarily increases the dollar amount and expands eligibility for federal subsidies for health insurance coverage purchased through the Affordable Care Act (ACA) Exchanges. Currently, the ACA's premium tax credits are not available to individuals with income at or above 400% of the federal poverty level. The ARPA temporarily eliminates this income cap on these subsidies for a period of two years.

The law also:

- Limits the total amount a household would be required to pay for health coverage through the Exchanges to 8.5% of their household income;
- Increases the federal subsidy amounts available for lower-income individuals, eliminating premium costs completely for these individuals in some cases; and
- Includes additional federal funding intended to encourage states that did not previously expand their Medicaid programs to do so now.

These ACA changes are temporary and will expire after a period of two years.

## DCAP

For taxable years beginning after Dec. 31, 2020, and before Jan. 1, 2022, the ARPA increases the annual contribution limit for a dependent care assistance program (DCAP) from \$5,000 to \$10,500 (and from \$2,500 to \$5,250 for married individuals filing taxes separately).

Employers with DCAPs can retroactively amend their plans to incorporate this increase, if:

- The amendment is adopted by the last day of the plan year in which it is effective; and
- The plan operates consistently with the terms of the amendment until it is adopted.

## Employee Retention Tax Credit

The ARPA extends the employee retention credit through the end of 2021 (the credit was set to expire in June 2021). This credit was originally enacted with the Coronavirus Aid, Relief and Economic Security (CARES) Act to encourage employers to retain on their payroll employees who could not report to work because of COVID-19-related reasons.

New features of this credit include:

- Some small startups that began operating after Feb. 15, 2020, will be eligible for a maximum credit of up to \$50,000 per quarter even if they do not experience an eligible decline in gross receipts, or a full or partial suspension; and
- A new provision for "severely financially distressed" employers will begin in the third quarter of 2021. The provision will allow employers of any size to count all wages toward the \$10,000 cap.

*Source: Zywave*