FINANCIAL SERVICES LITIGATION
ALERT
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Easing the Pain of Worker Layoffs: Individual Stipends and Other Emergency Benefits Under the Most Recent Federal Stimulus Package For Covid-19

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❖ *Gross income caps have been lowered for the third round of stimulus payments, with phase-outs starting at $75,000. Those who do receive individual stipends may have that money subjected to garnishment from private collectors, which was not true under the previous emergency legislation. Other emergency benefits have been extended through the summer.*

Most Americans have endured previously unimaginable social and economic trauma related to the pandemic in the last year. Businesses have tried their best to maintain operations and avoid layoffs. When layoffs were unavoidable, many businesses have hoped to make them temporary. Various government stimulus payments, unemployment programs and other emergency benefits have eased the pain of worker layoffs. While the relief may not be enough for many, it is something that can help those who are eligible.

INDIVIDUAL STIMULUS PAYMENTS

Under the recent American Rescue Plan Act of 2021 (“ARPA”), individuals with a gross income of less than $75,000 ($150,000 for joint returns) are eligible for a $1,400 stipend ($2,800 for joint returns), plus an additional $1,400 for each dependent. Those with a higher gross income may be eligible for a discounted amount.

However, just because you are eligible does not mean that you necessarily will keep your full share. Under the ARPA, individual stimulus payments can be subject to garnishment from private creditors. This was not the case for the last round of stipends sent under the Continued Assistance Act (“CAA”) passed in December. The language that shielded the December stimulus payments from private garnishment was not included in the ARPA. This is because the ARPA was passed using a budgetary process known as reconciliation, which only requires a simple majority in the U.S. Senate, and has certain restrictions as a result.

Many state governments are taking swift legislative action to prohibit private garnishment of stimulus checks and protect their citizens. Pennsylvania and Delaware have not yet acted, and thus stimulus checks are currently fair game for creditors in those states.

On the other hand, Governor Phil Murphy signed an executive order shielding stimulus checks from garnishment from private creditors in New Jersey. Governor Gavin Newsom promulgated a similar executive order in California. New York Attorney General Letitia James issued guidance making it clear that any creditor or debt collector that garnishes relief payments has violated New York and federal law. An ongoing update regarding state action to protect against private garnishment of federal stimulus payments can be found here:

- https://docs.google.com/document/d/1oV5JGVvqhkN4eKQr8rJLqEuSQKU1O7EMqj70O3crQu4/edit.

UNEMPLOYMENT COMPENSATION

Under the ARPA, the Pandemic Emergency Unemployment Compensation program (“PEUC”) provides additional weeks of unemployment benefits beyond individual state caps (most often set at 26 weeks). Eligible individuals can now receive up to 79 additional benefit weeks as long as they qualify before September 6, 2021.

The ARPA also extends the Federal Pandemic Unemployment Compensation program ("FPUC"). This program provides eligible individuals with $300 per week in addition to the weekly benefit amount they receive from certain other unemployment compensation programs. In contrast, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), passed in 2020, previously provided for an extra $600 per week in federal benefits. The ARPA provides for $300 of additional weekly benefits until September 6, 2021.

Finally, the ARPA extends Pandemic Unemployment Assistance program ("PUA") benefits for another 29 weeks, as long as applicants qualify by September 6, 2021. The PUA program provides unemployment benefits to affected workers, who usually would not meet the eligibility requirements for their state unemployment program, such as certain "gig-economy" workers and independent contractors. Those eligible will now have access to a total of 79 weeks of assistance.

Despite government assistance options for businesses, such as the federal Paycheck Protection Program, layoffs may nonetheless be unavoidable for some companies. In those cases, employers should consider relaying information to their laid off workers about available individual stipends and other emergency benefits.

Also see Schnader's recent client alert, "New PPP Loan Eligibility, Requirements & Upcoming Deadlines under the Most Recent Federal Stimulus Package" – *https://www.schnader.com/blog/new-ppp-loan-eligibility-requirements-upcoming-deadlines-under-the-most-recent-federal-stimulus-package/*. ◆

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For more detailed analysis on a wide range of legal issues, please see Schnader's Covid-19 Resource Center at www.schnader.com/blog/covid-19-coronavirus-resource-center.

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