



State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

Date: May 18, 2021

TO: ALL COUNTY WELFARE DIRECTORS Letter No.: 21-10
ALL COUNTY WELFARE ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY HEALTH EXECUTIVES
ALL COUNTY MENTAL HEALTH DIRECTORS
ALL COUNTY MEDS LIAISONS

SUBJECT: Provisions from the American Rescue Plan Act of 2021

The purpose of this All Counties Welfare Director Letter (ACWDL) is to provide instructions to counties regarding treatment of unemployment benefits, recovery rebates, and additional provisions subsequent to the passage of H. R. 1319, the American Rescue Plan Act of 2021, Public Law No: 117-2. This bill includes new tax credits and rebates, and extends certain sections of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021.

Background

The American Rescue Plan Act of 2021 was signed into law on March 11, 2021. This bill provides approximately \$1.9 trillion in spending and additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. The American Rescue Plan Act of 2021 extends many of the programs and income provisions introduced as part of the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act, 2021. Please refer to [ACWDL 20-09](#) for CARES Act provisions and [ACWDL 21-03](#) for Coronavirus Response and Relief Supplemental Appropriations Act, 2021 provisions.

Counties are reminded to continue to follow the guidance outlined in [Medi-Cal Eligibility Division Information Letter I 20-25](#) regarding the delay in processing reported changes in circumstances that could result in negative actions during the COVID-19 Public Health Emergency (PHE) and [MEDIL I 21-04](#) regarding frequently asked questions due to the COVID-19 PHE.

Policy

Section 2901 – Additional enhanced benefits under the Railroad Unemployment Insurance Act (RRUI) (Previously Section 2113 of the CARES Act and Section 232 of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021)

This section extends the federal supplemental benefit for unemployed railroad workers at \$600 per registration period for registration periods beginning on or before March 14, 2021 to September 6, 2021.

For Modified Adjusted Gross Income (MAGI) and Non-MAGI Medi-Cal, this one-time payment is counted as income in the month received. For Non-MAGI, if the payment is retained, it is considered property in the following month. Recipients of the RRUI can spend down or transfer in the month received to avoid excess property. For Covered California programs, the taxable portion is counted in the eligibility determination.

Section 2902 – Extended unemployment benefits under the Railroad Unemployment Insurance Act (RUIA) (Previously Section 2114 of the CARES Act and Section 233 of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021)

This section provides an extension from 185 to 330 days under the RUIA for qualifying railroad workers. These provisions do not apply to any employee with any registration period beginning after September 6, 2021.

For MAGI Medi-Cal, the taxable portion of RUIA benefits is counted as income in the eligibility determination. For Non-MAGI Medi-Cal, RUIA benefits are counted as income, and if retained, are counted as property the following month. Beneficiaries can spend down or transfer in the month received to avoid excess property. For Covered California programs, the taxable portion is counted in the eligibility determination.

Section 9011 – Extension of Pandemic Unemployment Assistance (PUA) (Previously Section 2102 of the CARES Act and Section 201 of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021)

This section extends unemployment benefits to individuals who exhausted their unemployment benefits or their Pandemic Emergency Unemployment Compensation (PEUC), and whose households have been directly impacted by COVID-19. It extends the time period in which an individual can receive unemployment benefits from 50 weeks to 79 total weeks, and allows individuals to continue receiving benefits through

September 6, 2021, as long as the individual has not reached the maximum number of weeks.

For MAGI Medi-Cal the taxable portion of unemployment benefits received under PUA are counted as income in the eligibility determination. For Non-MAGI Medi-Cal, PUA benefits are counted as income, and if retained, these benefits are counted as property the following month.. For Covered California programs, the taxable portion is counted in the eligibility determination.

Section 9013 – Extension of Federal Pandemic Unemployment Compensation (PUC)
(Previously Section 2104 of the CARES Act and Section 203 of the Coronavirus
Response and Relief Supplemental Appropriations Act, 2021)

This section extends PUC which is a weekly \$300 amount provided in addition to other unemployment benefits through September 6, 2021.

For MAGI and Non-MAGI Medi-Cal, the federal supplemental unemployment benefit shall be disregarded and are not counted in the income eligibility determination. For Non-MAGI, PUC is counted as property if retained into the following month for the purposes of Non-MAGI Medi-Cal eligibility determinations. Beneficiaries can spend down or transfer in the month received to avoid excess property. For Covered California programs, the taxable portion is counted in the eligibility determination.

Section 9016 – Extension of Pandemic Emergency Unemployment Compensation.
(PEUC) (Previously Section 2107 of the CARES Act and Section 206 of the Coronavirus
Response and Relief Supplemental Appropriations Act, 2021)

This section extends PEUC to September 6, 2021, as long as the individual has not reached the maximum number of weeks. Additionally, it increases the number of weeks of benefits an individual may claim through this program from 24 to 53 weeks.

For MAGI Medi-Cal, the taxable portion of the unemployment benefits received under PEUC are counted as income in the eligibility determination. For Non-MAGI Medi-Cal, PEUC benefits are counted as income, and if retained, these benefits are counted as property the following month. Beneficiaries can spend down or transfer in the month received to avoid excess property. For Covered California programs, the taxable portion is counted in the eligibility determination.

Section 9601 – 2021 Recovery Rebates to Individuals (Previously Section 2201 of the CARES Act and Section 272 of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021)

This section provides Recovery Rebates (also known as economic impact payments or stimulus payments) for individuals, which are one-time tax rebates up to \$1,400 per family member. The credit is \$1,400 per taxpayer (\$2,800 for married filing jointly), and in addition to \$1,400 per qualifying child.

For MAGI and Non-MAGI Medi-Cal, Recovery Rebates are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, these rebates are exempt as property for 12 months from receipt of the benefit. For Covered California programs, these payments are disregarded and will not be counted in the eligibility determination.

Section 9611 – Child Tax Credit (CTC) Improvements For 2021 (New Provision)

This section creates temporary 2021 provisions for the CTC which:

- Increases the credit to \$3,000 per child (\$3,600 per child under age 6) for many families
- Allows children who have not attained age 18 to be considered as qualifying children
- Removes the \$2,500 earnings floor
- The credit is fully refundable, and
- 50% of the credit can be received in advance as periodic payments from July 2021 to December 2021. This means that a family receiving a \$3,000 tax credit for one child may receive periodic monthly payments of \$250.

For MAGI and Non-MAGI Medi-Cal, CTCs are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, CTCs are exempt as property for 12 months from receipt of the benefit. For Covered California programs, CTCs are disregarded and will not be counted in the eligibility determination.

Section 9612 – Application of Child Tax Credit in Possessions (New Provision)

This section instructs the Treasury Department to make payments to each “mirror code” territory for the cost of such territory’s CTC. This amount is determined by Treasury based on information provided by the territorial governments.

For MAGI and Non-MAGI Medi-Cal, CTCs are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, CTCs are exempt as property for 12 months from receipt of the benefit. For Covered California programs, CTCs are disregarded and will not be counted in the eligibility determination.

Section 9621 – Strengthening the Earned Income Tax Credit for Individuals with No Qualifying Children (New Provision)

This section expands the eligibility and the amount of the earned income tax credit (EITC) for taxpayers with no qualifying children (the “childless EITC”) for 2021. In particular, the minimum age to claim the childless EITC is reduced from 25 to 19 (except for certain full-time students) and the upper age limit for the childless EITC is eliminated.

For MAGI and Non-MAGI Medi-Cal, EITCs are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, EITCs are exempt as property for 12 months from receipt of the benefit. For Covered California programs, EITCs are disregarded and will not be counted in the eligibility determination.

Section 9622 – Taxpayer Eligible for Childless Earned Income Credit in Case of Qualifying Children Who Fail to Meet Certain Identification Requirements (New Provision)

This section repeals the provision prohibiting an otherwise EITC-eligible taxpayer with qualifying children from claiming the childless EITC if he or she cannot claim the EITC with respect to qualifying children due to failure to meet child identification requirements (including a valid SSN for qualifying children). Accordingly, individuals who do not claim the EITC with respect to qualifying children due to failure to meet identification requirements would now be able claim the childless EITC.

For MAGI and Non-MAGI Medi-Cal, EITCs are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, EITCs are exempt as property for 12 months from receipt of the benefit. For Covered California programs, EITCs are disregarded and will not be counted in the eligibility determination.

Section 9623 – Credit Allowed in Case of Certain Separated Spouses (New Provision)

This section allows a married but separated individual to be treated as not married for purposes of the EITC if a joint return is not filed. Thus, the EITC may be claimed by the individual on a separate return. This rule only applies if the taxpayer lives with a

qualifying child for more than one-half of the taxable year and either does not have the same principal place of abode as his or her spouse for the last six months of the year, or has a separation decree, instrument, or agreement and doesn't live with his or her spouse by the end of the taxable year. This change aligns the EITC eligibility requirements with present-day family law practice.

For MAGI and Non-MAGI Medi-Cal, EITCs are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, EITCs are exempt as property for 12 months from receipt of the benefit. For Covered California programs, EITCs are disregarded and will not be counted in the eligibility determination.

Section 9624 – Modification Of Disqualified Investment Income Test *(New Provision)*

This section increases the limitation on disqualified investment income for purposes of claiming the EITC from \$3,650 (2020) to \$10,000.

For MAGI and Non-MAGI Medi-Cal, EITCs are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, EITCs are exempt as property for 12 months from receipt of the benefit. For Covered California programs, EITCs are disregarded and will not be counted in the eligibility determination.

Section 9625 – Application of Earned Income Tax Credit in Possessions Of The United States *(New Provision)*

This section instructs Treasury to make payments to the territories that relate to the cost of each territory's EITC.

For MAGI and Non-MAGI Medi-Cal, EITCs are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, EITCs are exempt as property for 12 months from receipt of the benefit. For Covered California programs, EITCs are disregarded and will not be counted in the eligibility determination.

Section 9626 – Temporary Special Rule for Determining Earned Income for Purposes of Earned Income Tax Credit *(New Provision)*

This section allows taxpayers in 2021, for purposes of computing the EITC, to substitute their 2019 earned income for their 2021 earned income, if 2021 earned income was less than 2019 earned income.

For MAGI and Non-MAGI Medi-Cal, EITCs are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, EITCs are exempt as property for 12 months from receipt of the benefit. For Covered California programs, EITCs are disregarded and will not be counted in the eligibility determination.

Section 9631 – Refundability and Enhancement of Child and Dependent Care Tax Credit (New Provision)

This section makes a number of modifications to the child and dependent care tax credit (CDCTC) for 2021. Makes the credit fully refundable and increases the maximum credit rate to 50 percent.

For MAGI and Non-MAGI Medi-Cal, CDCTCs are not counted as income in the eligibility determination. Furthermore, for Non-MAGI Medi-Cal, CDCTCs are exempt as property for 12 months from receipt of the benefit. For Covered California programs, CDCTCs are disregarded and will not be counted in the eligibility determination.

Section 9632 – Increase in Exclusion for Employer-Provided Dependent Care Assistance (New Provision)

This section increases the exclusion for employer-provided dependent care assistance from \$5,000 to \$10,500 (from \$2,500 to \$5,250 in the case of a separate return filed by a married individual) for 2021.

For MAGI, this exclusion will reduce MAGI-based income. For Non-MAGI, there will be no impact.

Section 9675 – Modification of Treatment of Student Loan Forgiveness (New Provision)

This section will exclude from gross income any amount of student loan debt that is modified or discharged (in whole or in part) after December 31, 2020, and before January 1, 2026.

For MAGI, this exclusion will reduce MAGI-based income. For Non-MAGI, there will be no impact.

Section 3201 – Emergency Rental Assistance (ERA) (New Provision)

This section appropriates \$21.5 billion for funds provided to states, territories, and tribes to grant rental assistance. Funds are for low-income households that have experienced

a reduction in household income or qualified for unemployment benefits to assist with rental payments for up to 18 months.

For MAGI, ERAs are not counted as income in the eligibility determination. For Non-MAGI, the Center for Medicaid and CHIP Services (CMS) is still evaluating for impact. For Covered California programs, Emergency Rental Assistance program funds are disregarded and will not be counted in the eligibility determination.

Section 3206 – Homeowners Assistance Fund (New Provision)

This section establishes a \$10 billion Homeowner Assistance Fund, which will be allocated to states, territories, and tribes through grants.

For MAGI, Homeowner Assistance Funds are not counted as income in the eligibility determination. For Non-MAGI, CMS is still evaluating for impact. For Covered California programs, Homeowners Assistance Funds are disregarded and will not be counted in the eligibility determination.

Section 4006 – Funeral Assistance (New Provision)

This section directs Federal Emergency Management Agency (FEMA) to continue providing funeral assistance for COVID-19-related deaths and to provide such assistance at 100 percent federal cost share.

For MAGI and Non-MAGI, Funeral Assistance are not counted as income in the eligibility determination. For Covered California programs, Funeral Assistance is disregarded and will not be counted in the eligibility determination.

If you have any questions, or if we can provide further information, please contact Bonnie Tran by phone at (916) 345-8063 or by email at Bonnie.Tran@dhcs.ca.gov.

Original Signed by

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