

Stimulus Round Two:

The HEROES Act

What You Need
To Know

BY KELLY PHILLIPS ERB

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BIO

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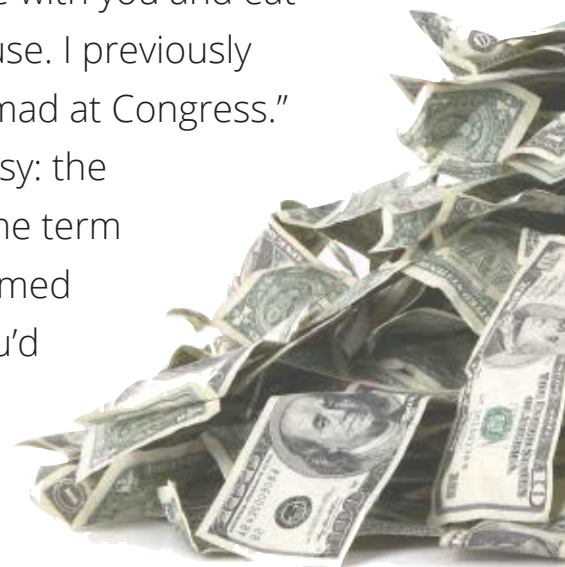
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After weeks of will they or won't they, they did: House Speaker Nancy Pelosi announced a new Covid-19 economic relief proposal. The bill is known as the Health and Economic Recovery Omnibus Emergency Solutions Act, or HEROES Act.

Just like the [last House proposal](#) (which eventually became the CARES Act), the HEROES Act bill is hefty, weighing in at 1,815 pages. You can [read it here](#) (downloads as a PDF). Here's a look at some of the highlights:

► **Spending:** The first hundred pages or so would provide additional funding for various government agencies for Covid-19 programs. And yes, the bill would provide additional funding for the Internal Revenue Service "to prevent, prepare for, and respond to coronavirus, including for costs associated with the extended filing season."

► **CARES Correction: Dependent Child:** Under the CARES Act, for purposes of getting the \$500 per child, the law used the same definition for a child as you'd use for the [child tax credit](#). The sticking point for most parents for this purpose was the age: the child must be under age 17 at the end of the tax year. That meant that taxpayers were not entitled to receive the \$500 additional payment for a child above the age of 16, even if they live with you and eat your food and spend your money and sleep in your house. I previously said, [about it](#), "...if you want to be mad at someone, be mad at Congress." You were. And they heard you. And the fix is just this easy: the reference to the child tax credit would be replaced by the term "qualifying dependent." If the bill passes, if you have claimed your college-aged kid AND your mom on your taxes, you'd now get a check for both.



► **CARES Correction: Social Security Number:** Also, under the CARES Act, you had to have a Social Security Number (SSN) to get a check. As did your spouse. If one of you (assuming you filed jointly) had an Individual Taxpayer Identification Number (ITIN) instead of an SSN, you would get nothing. If the bill passes, if you had a valid SSN and your spouse did not, your spouse would still get nothing, but you'd get your payment.

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► **CARES Correction: Offsets:**

The only offset to stimulus checks under the CARES Act was for past-due child support. The HEROES Act would change that... my guess is because of the difficulties involved in administering the offset piece.

► **CARES Correction: Levies & Garnishment**

While only child support was offset by the feds under the CARES

Act, once payments hit bank accounts, they could be subject to seizures and garnishment to satisfy existing liabilities. The HEROES Act would require the payments to be coded in an obvious manner so that banks would not allow payments to be seized to satisfy certain legal obligations.

► **CARES Clarification: Representative Payees:** One of the points of confusion under the CARES Act was whether representative payees of Social Security (SSA), Veterans Affairs (VA) and Railroad Retirement Board (RRB) benefits could accept payment. The answer under the HEROES Act would be yes, provided that the representative payee used the payment for the beneficiary.

► **New Checks:** The HEROES Act calls for additional stimulus checks. As before, checks would be \$1,200 per adult (\$2,400 in the case of a joint return), but with an additional \$1,200 per dependent (as opposed to \$500). The eligibility criteria are much the same as before—even the phaseouts are the same—with the exceptions of those CARES Act corrections noted earlier (the revised definitions and rules would be used for the new checks). And this time, Congress clearly states that payments should be automatic for those receiving [Social Security retirement](#) or disability benefits (SSDI), [SSI](#), RRB or [VA benefits](#). And one more thing... the new checks and notices that accompany them will not have the signature or likeness of the President, Vice President, Cabinet Official, or any elected official.



► **Earned Income Tax Credit (EITC):** The EITC would be expanded. Currently, if you do not claim a qualifying child for the EITC, you are eligible if you meet the income rules, have your main home in the United States for more than half of the tax year, cannot be claimed as a dependent or qualifying child on anyone

else's return, are at least age 25 but under age 65 years old at the end of the tax year. The HEROES Act would change the minimum age to 18 for qualified former foster youth and would up the maximum age to under 66 (so, 65). The phaseouts would also increase.

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► **Child Tax Credit (CTC):** The CTC was expanded under the Tax Cuts and Jobs Act (TCJA) but would be improved (their word) for 2020. The amount of the credit would be boosted, and the age for qualifying children would be moved to 17 (not under age 17).

► **Employer-Provided Dependent Care Assistance (EPDCA):** The amount available under the EPDCA would be doubled for 2020.

- ▶ **Flexible Spending Arrangement (FSA):** The HEROES Act would allow taxpayers to carry amounts from FSA forward into 2021. This would apply to FSAs for health care and dependent care.
- ▶ **State & Local Taxes (SALT):** The House is [trying again](#) to eliminate the cap on SALT deductions for 2020 and 2021. You may remember that those were capped at \$10,000 under the TCJA.
- ▶ **Above The Line Deductions:** The HEROES Act would increase the above-the-line deduction for teachers and would allow first responders a similar deduction. That means that those deductions could be claimed even if taxpayers don't itemize (the deduction would be in addition to the standard deduction).
- ▶ **Payroll Tax Credits & Deferrals:** Employers would be allowed a payroll tax credit equal to the applicable percentage of the qualified pandemic-related employee benefit expenses. Additionally, the amount allowed as a credit under the [Employee Retention Credit \(ERC\)](#) would be increased from 50% to 80% and the \$10,000 cap for all quarters would be \$45,000; phase-ins would also apply for the credit reduction. A similar credit would apply to self-employed persons. An additional credit would be allowable for fixed expenses and payroll tax deferrals would be allowed for recipients of Paycheck Protection Program (PPP) loans.

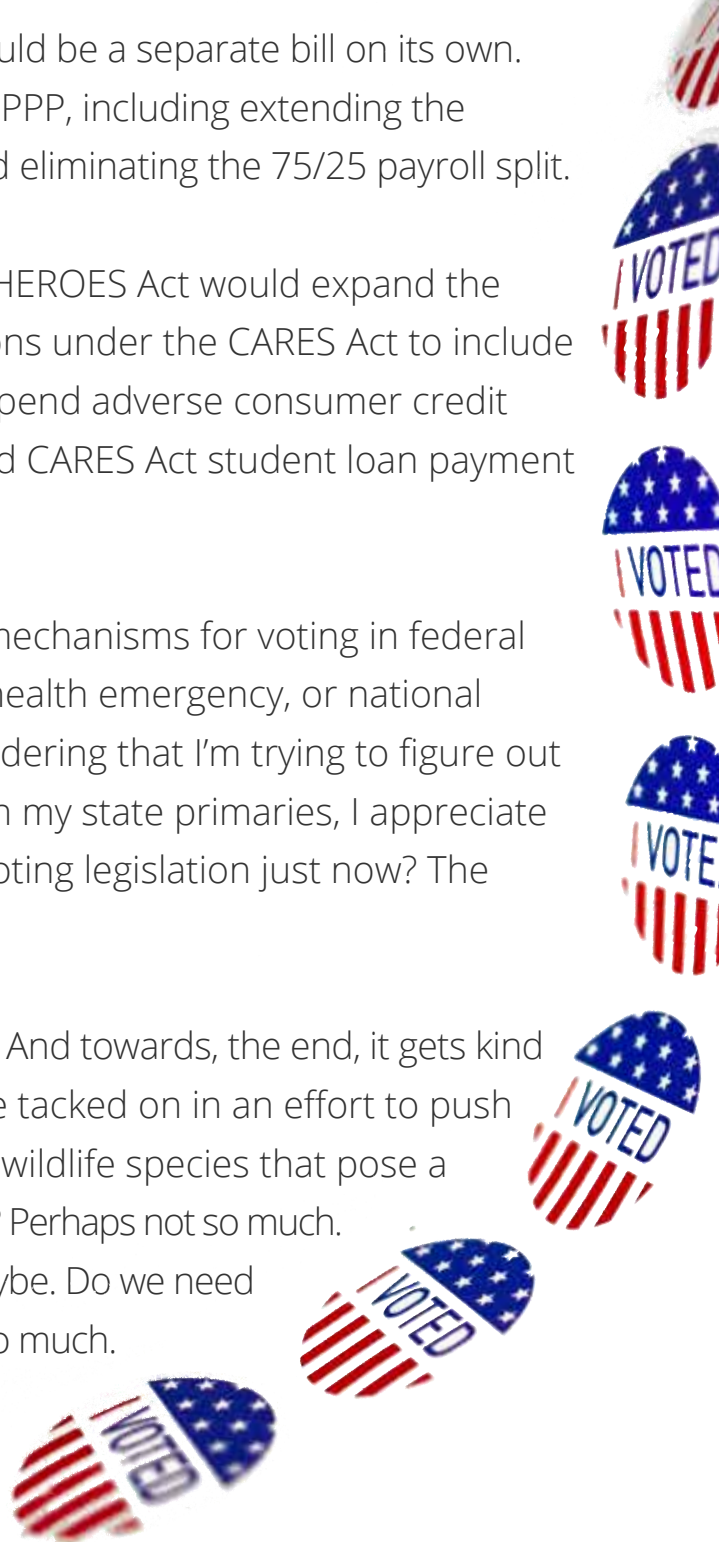
► **Exclusions From Gross Income:** Under the HEROES Act, emergency financial aid grants made to students would be excluded from gross income. The same would be true for loan forgiveness and other business financial assistance under the CARES Act, including those emergency Economic Injury Disaster Loan (EIDL) grants.


► **Medicaid/Medicare & Healthcare Expansion:** The HEROES Act would expand Medicaid benefits for states, as well as subsidized healthcare costs, including those for furloughed workers and those relying on COBRA coverage.

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► **Retirement Provisions:** The CARES Act waived RMDs for 2020. The HEROES Act would extend that relief to 2019 for defined contribution plans and IRAs. But, since you know, it's 2020, RMDs made in 2019 (as well as 2020) could be rolled back to a plan or IRA without regard to the normal 60-day requirement if the rollover is made by November 30, 2020.

► **Unemployment Benefits:** The \$600 per week surplus for unemployment is slated to end on July 31, 2020, under the CARES Act. The HEROES Act would extend it through January 31, 2021. The HEROES Act would also expand other unemployment-related benefits.

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- ▶ **Small Business Benefits:** Honestly, this could be a separate bill on its own. The bill makes several technical changes to the PPP, including extending the covered period through the end of the year and eliminating the 75/25 payroll split.
 - ▶ **Housing/Student/Debt Assistance:** The HEROES Act would expand the eviction moratorium and foreclosure protections under the CARES Act to include all renters and homeowners. It would also suspend adverse consumer credit reporting during the Covid-19 crisis and extend CARES Act student loan payment and consumer protections.
 - ▶ **Voting:** Yes, again. The idea is to provide mechanisms for voting in federal elections during a state of emergency, public health emergency, or national emergency, including infectious disease. Considering that I'm trying to figure out how the self-quarantine will allow me to vote in my state primaries, I appreciate the idea. But did we need 50-some pages of voting legislation just now? The House felt that we did.
 - ▶ **The Kitchen Sink:** There's a *lot* in the bill. And towards, the end, it gets kind of messy. Clearly, other (failed) provisions were tacked on in an effort to push them through. Do we need funding to identify wildlife species that pose a risk to human health? Perhaps. Do we need it now? Perhaps not so much. Do we need additional hate crime legislation? Maybe. Do we need it tucked inside a Covid-19 relief bill? Maybe not so much.



As before, keep in mind that this is just a proposal. It's long, and it's dense. I've tried to hit the highlights—things I think that you care about. And here's my takeaway: This isn't getting through the House and the Senate. It's too much. So, take this summary with a grain of salt and please don't run out and spend that new stimulus check that you don't yet have in hand, or plan your immigration status around potentially extended deadlines. Not everything is going to make it through.

A vote is planned for Friday (this report was generated on May 15, before the vote was held). Speaker Pelosi said on MSNBC, about the timing, "To those who would suggest a pause, I'll say the hunger doesn't take a pause. The rent doesn't take a pause. The hardship doesn't take a pause." Republican Senate Majority Leader Mitch McConnell is not expected to push the measure forward in the Senate, suggesting that the timing is not right. Clearly, things are happening at a rapid-fire pace these days. [Keep checking back for details.](#)