

Debate over new stimulus plan continues as unemployment benefits near expiration

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Original post [here](#).

On [July 20](#), the Senate reconvened after a two-week hiatus and one topic is “front and center:” extending the COVID-19 stimulus.

Many provisions of the CARES Act, signed on March 25, are set to expire July 25. With their expiration will go a number of costly but impactful economic stimulus programs, including the \$600-per-week federal addition to state-provided unemployment benefits for laid-off workers. With more than [32 million Americans](#) on unemployment, [new daily coronavirus cases](#) reaching new heights, and [32% of renters](#) missing July rent payments, America’s second wave of COVID-19 is likely to stall re-opening plans and deepen the economic effects of the pandemic.

What won’t expire?

While the July 25 expiration date will impact a number of economic programs, a few programs will persist. This includes the CARES Act [expansion of unemployment insurance](#) (UI) benefits to typically excluded groups, including part-time workers and sole proprietors. Additionally, CARES act provision that extends the length of UI benefits, from the typical period of 13 weeks to at least 39 weeks, will continue for all workers laid off during 2020. All states but South Dakota have also enacted [Extended Benefits](#) (EB) that add an additional 13 weeks to UI when the unemployment rate exceeds 5.9%. Between typical state UI programs, the federal add-on, and Extended Benefits, all states have benefits lasting at least 30 weeks, and many states’ programs exceed 50 weeks.

The CARES Act also paused payments for [student loans](#), setting interest rates to 0%. This moratorium on interest accrual and loan repayment is set to expire on September 30.

What are House Democrats pushing for?

The House, led by Democrats, passed its own extension bill on May 15, titled [the HEROES Act](#). The \$3 trillion stimulus bill expands on the CARES Act. Highlights include:

\$1 trillion set aside for local and state governments;

One-time stimulus check of \$1,200 per person earning less than \$75,000 or \$2,400 for a couple filing jointly earning less than \$150,000, and an additional \$1,200 per dependent (up to 3 dependents);

Extended federal unemployment add-on of \$600 through January 2021;

\$200 billion for hazard pay for front-line workers;

\$100 billion for rental assistance, and \$75 billion for mortgage assistance, on top of a year long foreclosure and eviction moratorium;

Modifications to remaining [PPP funds](#), requiring 25% be reserved for small businesses with fewer than 10 employees. It will also relax the requirement that [60% of funds](#) be used for payroll purposes;

Extension of student loan suspension for another year through September 30, 2021.

Senator Mitch McConnell [dismissed the House bill](#) as a “liberal wish-list.” This [YPFS blog](#) further discusses the HEROES Act.

What will Senate Republicans propose?

While the Senate hasn’t reconvened yet, there is some information circulating about what Republicans will likely include in their counter-proposal coming from Senator McConnell, Economic Advisor Larry Kudlow, and Secretary Steve Mnuchin.

Cost

The GOP proposal will likely have a much smaller price tag, somewhere around [\\$1 trillion](#), with smaller benefits.

Expanded UI benefit

According to various news reports, GOP senators are pitching a [\\$200 to \\$300](#) weekly UI enhanced benefit, capped at 100% of a recipient’s previous wage in order to avoid any disincentive to return to work. The expanded unemployment benefit has long been [controversial for GOP senators](#). A [University of Chicago paper](#) found that “two-thirds of UI eligible workers can receive benefits which exceed lost earnings and one-fifth can receive benefits at least double lost earnings.” The new bill might also include a [back-to-work bonus](#) to offset work disincentives of increased unemployment benefits.

[Detractors](#) of the enhanced UI benefits estimate that “the U.S. economy has lost 1 million to 2 million jobs” from work disincentives, while [supporters](#) argue that the suspension of the benefits, which constitute four percent of GDP on an annualized basis, would stunt the already sluggish economic recovery. [A group of top former policymakers and economists](#), including former Treasury Secretary Timothy Geithner, supports a reduction in the weekly federal subsidy from \$600 to \$400.

One-time stimulus checks

The GOP bill will likely include a one-time stimulus check, but with a reduced amount and a strict income cap of [\\$40,000](#).

Liability protection

Senator McConnell has promised that COVID-19-related [liability protection](#) for nurses, businesses, colleges, and K-12 schools will “be in any bill that passes the senate.” The current proposal involves retroactive protection for these entities from 2019 to 2024. The 2024 date may be a sticking point.

Payroll tax reduction

President Trump has long been demanding a payroll tax reduction, telling GOP senators that [he will not sign](#) any bill that does not have the provision. Neither party has supported the President’s proposal on this.

State and local funding

Funding for state and local governments, which are [facing severe budget shortfalls](#) due to the effects of COVID-19, will likely be included in the GOP’s proposal. However, sources indicate that federal dollars might be tied to [schools reopening](#) this fall, a point the President has pushed for.

What can we expect from the new bill?

At this point, it’s uncertain what a new stimulus bill will contain. However, with COVID-19 cases surging, [Republican leaders in the Senate](#) have acknowledged the need for an extensive stimulus package. Reports indicate that it is likely a final bill will include direct payment to individuals below a strict income line, support for local and state governments, and some expanded unemployment benefits program.