



American Rescue Plan Act (ARPA)

The Offset Provision

OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL

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American Rescue Plan Act (ARPA) – Summary

- **Signed into law March 11, 2021**
- **\$1.9 trillion stimulus bill**
- **\$195.3 billion in aid to States (“Fiscal Recovery Funds”), approximately \$1.38 billion for Utah**
- **States must certify compliance with statutory conditions**
- **States that violate a condition must repay misused funds**



Authorized Uses

- 1. COVID-19 Public Health Response**
- 2. Address Negative Economic Impacts of COVID-19**
- 3. Premium Pay for Essential Employees**
- 4. Replace Government Revenue Loss**
- 5. Water, Sewer, and Broadband Infrastructure**



Prohibited Uses

- 1. Net Reduction in Tax Revenue**
- 2. Deposits into Pension Funds**
- 3. Deposits into Rainy Day Funds or Financial Reserves**
- 4. Debt Service, Legal Settlements or Judgments**



The Offset Provision

“A State or territory shall not use [Fiscal Recovery Funds] . . . to either directly or indirectly offset a reduction in . . . net tax revenue . . . resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax . . . or delays the imposition of any tax or tax increase.”



Compliance with the Offset Provision

- 1. What is the total value of revenue reducing changes?**
- 2. Does the total value exceed a de minimis level?**
 - “De minimis level” = 1% of the baseline
 - “Baseline” = 2019 tax revenue, adjusted annually for inflation
- 3. If so, is the year’s actual tax revenue less than the baseline?**
- 4. If so, do other sources of funds permissibly offset the reduction?**
- 5. If not, what amount is subject to recoupment?**



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