

# U.S. DEPARTMENT OF THE TREASURY

## Statement on State Fiscal Recovery Funds and Tax Conformity

April 7, 2021

The American Rescue Plan Act of 2021 includes \$350 billion in fiscal relief funding for States, territories, Tribal governments, counties, cities, and small local governments. The funding will allow these governments to support vital public health and economic responses to the pandemic, provide premium pay to essential workers, replace lost government revenue to prevent harmful cuts to government services, and make necessary investments in water, sewer, and broadband infrastructure. Together, these uses lay the foundation for a stronger economic recovery.

At the same time, Congress placed limitations on the funding to ensure that it is used to achieve those purposes, including a provision stating that this funding may not be used by States and territories to offset a reduction in net tax revenue resulting from certain changes in law. Treasury will issue comprehensive guidance to implement the statutory framework.

In the meantime, however, Treasury has decided to address a question that has arisen frequently: whether income tax changes that simply conform a State or territory's tax law with recent changes in federal income tax law are subject to the offset provision of section 602(c)(2)(A) of the Social Security Act, as added by the American Rescue Plan Act of 2021. Regardless of the particular method of conformity and the effect on net tax revenue, Treasury views such changes as permissible under the offset provision.

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