

Congress of the United States
Washington, DC 20515

February 25, 2021

The Honorable Nancy Pelosi
Speaker of the House
United States Capitol
United States House of Representatives
Washington, D.C. 20515

The Honorable Steny Hoyer
House Majority Leader
United States Capitol
United States House of Representatives
Washington, D.C. 20515

The Honorable John Yarmuth
Chairman, House Budget Committee
204-E Cannon House Office Building
U.S. House of Representatives
Washington, DC 20515

The Honorable James McGovern
Chairman, House Rules Committee
H-312 United States Capitol
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi, Majority Leader Hoyer, Chairman Yarmuth, and Chairman McGovern,

As the House of Representatives prepares to provide additional relief to Americans struggling due to coronavirus (COVID-19), we urge you to include tax relief for Americans who lost their jobs and utilized unemployment benefits last year in the manager's amendment to the American Rescue Plan Act of 2021.

Currently, the Department of Labor estimates that over 18 million Americans¹ are claiming some form of unemployment benefits, and tens of millions claimed these benefits at some point over the past year. We are glad that Congress has recognized the importance of expanding unemployment insurance (UI) benefits to provide stability for workers impacted by COVID-19, including new programs like Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) well as an additional \$600 weekly benefit included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Without tax relief for these benefits, however, millions of workers who claimed UI last year may face an unexpected tax bill this spring.

In a survey conducted last fall by Jackson Hewitt, 39% of respondents were unaware UI benefits are taxable, with single and younger taxpayers being less aware of this issue. Those same people are more likely to have lost income during 2020 and less likely to have savings to absorb the hit. Reporting from outlets nationwide has chronicled stories of workers who claimed UI benefits last year now facing surprise tax bills of over \$1,000.^{2,3} Treasury Department data corroborates these stories. Despite the Treasury Department reporting paying out \$580 billion in UI benefits last year, only \$22 billion was

¹ <https://www.dol.gov/ui/data.pdf>

² <https://www.post-gazette.com/business/money/2021/02/17/unemployment-compensation-taxes-COVID-19-PUA-PEUC-FPUC/stories/202102120127>

³ https://www.huffpost.com/entry/surprise-tax-bill-unemployment-benefits_n_602d58edc5b66da5db9e8ddf

transferred to the IRS by December from state unemployment systems for withholding purposes – far less than the \$58 billion that would have been transferred had all benefits been voluntarily withheld at the federal flat rate of 10%.⁴

Workers and families are still struggling with the economic pain caused by COVID-19, and we are pleased the American Rescue Plan extends unemployment benefits for workers and financial support for small businesses. However, impending tax bills on UI benefits take away vital dollars that individuals need to pay for essential expenses like housing, health care, and food.

That is why we encourage you to include legislation we've supported, the Coronavirus Unemployment Benefits Tax Relief Act, to waive federal income taxes on the first \$10,200 of unemployment benefits received in 2020. The tax relief would extend to both workers who received benefits through federal unemployment programs like PUA and PEUC as well as those who received traditional benefits through their state unemployment insurance fund. The bill currently has 30 House cosponsors, and the case has been explained thoroughly by the Century Foundation⁵ and many others.^{6,7}

As we work to deliver on much-needed support for families, workers, and businesses, we should not be extending benefits with one hand and taxing them with the other. We once again urge you to include this tax relief for Americans as part of the American Rescue Plan Act of 2021, and we look forward to working with you on this issue.

Sincerely,

Cindy Axne
Member of Congress

Scott H. Peters
Member of Congress

Mark Takano
Member of Congress

Andy Levin
Member of Congress

Eleanor Holmes Norton
Member of Congress

Peter A. Defazio
Member of Congress

Jamie Raskin
Member of Congress

Susan Wild
Member of Congress

Josh Gottheimer
Member of Congress

Donald M. Payne, Jr.
Member of Congress

Susie Lee
Member of Congress

Chris Pappas
Member of Congress

⁴ Data from: <https://oui.doleta.gov/unemploy/DataDownloads.asp>

⁵ <https://tcf.org/content/report/the-case-for-forgiving-taxes-on-pandemic-unemployment-aid/?session=1>

⁶ <https://www.cbsnews.com/news/unemployment-benefits-taxable-tax-season-2021/>

⁷ <https://www.cnbc.com/2021/02/15/beware-this-tax-pitfall-if-you-had-unemployment-income-during-covid-.html>