



## **The Year-End Unemployment Insurance Cliff**

The Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act included critical unemployment insurance provisions to help workers and employers during the pandemic. A vital measure providing \$600 per week supplemental benefits to allow workers to pay their bills until return to work is safe and possible [expired July 31, 2020](#) and has already significantly harmed workers and the economy.

Except for some state flexibilities provided in the FFCRA, all the other unemployment supports are currently set to expire December 31, cutting off help to millions of workers and increasing costs and taxes on many struggling businesses at a time when COVID-19 continues to surge. Both the Heroes Act and the Updated Heroes Act, which passed the House on May 15, 2020 and October 1, 2020, respectively, would extend all these provisions, but Senate Republicans have refused to consider these relief packages.

### **Direct Benefit Cutoffs for Workers**

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Benefits that cut off July 31, 2020:

- \$600 per week Federal Pandemic Unemployment Compensation (FPUC) supplement for approximately 25 million workers.

Benefits that will cut off December 31, 2020:

- Up to 13 weeks of Pandemic Emergency Unemployment Compensation (PEUC) for approximately 4.6 million<sup>1</sup> workers who have exhausted state unemployment benefits.
- Up to 39 weeks of Pandemic Unemployment Assistance (PUA) for approximately 7.3 million<sup>1</sup> self-employed workers, gig workers, and other workers directly impacted by COVID-19 who would otherwise not be eligible for any unemployment compensation.
- Up to 20 weeks of Extended Benefits (EB) for workers in states where the availability of those benefits is contingent on full federal financing. The number of affected workers will also depend on state unemployment rates.

*Note: These benefit cutoffs would be in addition to the 4-5 million workers who are likely to exhaust their unemployment benefits before December 31, unless the Updated Heroes Act is enacted to provide additional weeks of federal unemployment benefits.*

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<sup>1</sup> Estimates from [The Century Foundation](#)

## **Provisions Affecting Employers and Employer Tax Rates**

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Federal law requires that states must promptly pay unemployment benefits to workers as provided under state law, even if their state unemployment trust fund becomes depleted. When trust fund balances drop, some states have automatic increases in state unemployment taxes or have to increase state unemployment taxes. Depending on their laws, states may have the option to divert resources from other state needs to fill funding gaps. They may also delay tax increases by borrowing from the federal unemployment trust fund, but if they do so and fail to repay the funds within a prescribed time frame, they risk triggering federal tax increases.

FFCRA and CARES provisions that expire on December 31, have helped some employers reduce or avoid permanent layoffs, and have also prevented drops in state unemployment trust fund balances that might otherwise lead to employer tax increases. Those temporary supports include:

- Full federal funding for EB, which reduces pressure on state unemployment trust funds in the highest unemployment states. The end of the full federal EB financing will cut off benefits for workers in some states, as noted above, and may trigger employer tax increases in others.
- Interest-free loans to states that need to borrow to keep their unemployment trust fund solvent, which may allow them to delay tax increases or other employer surcharges until the economy recovers.
- Full federal funding for [Short-Time Compensation](#) programs, which allow employers to temporarily reduce work hours rather than lay off employees. Workers maintain their jobs and benefits and receive a portion of their unemployment benefits to help make ends meet. About 140,000 workers currently receive STC benefits.
- Full federal funding for the cost of waiving the “waiting week” for unemployment benefits.
- Federal support for half of the costs incurred by nonprofit or governmental organizations and other “reimbursable employers” when they lay off or furlough their workers. Reimbursable employers do not pay state unemployment taxes, and instead must reimburse the full cost of unemployment benefits paid to their workers when they are laid off.