



# Fact Sheet

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## The American Workers Act Helps Those Hit Hardest by the Recession

*We've taken important steps in recent weeks to strengthen the economy and create new jobs. Now, we build on that work with this bipartisan proposal that will help businesses thrive again, extend critical assistance to out-of-work Americans, extend tax relief to individuals and businesses and provide assistance to states to ensure that they can continue to provide health care to low-income families. With so many individuals and businesses facing economic uncertainty, I am hopeful that Republicans will help us pass this bill that includes many of their job creation ideas. I remain committed to ensuring that every Nevadan and every American looking for work can find a dependable job to support their families.*

-Majority Leader Harry Reid, March 1, 2010

American families and businesses are hurting. After eight years of failed Republican fiscal policies, our economy has gone through the worst financial and economic crisis since the Great Depression. Although our economy is on the brink of a recovery, too many Americans continue to suffer. Senate Democrats are committed to a year-long effort to promote job creation and stabilize our fragile economy so that American families and businesses regain confidence in our economic future.

The *American Workers, State, and Business Relief Act (S.A. 3332 to H.R. 4213)* would strengthen the economy by creating new jobs, providing assistance for out-of-work Americans, and extending tax cuts and small business assistance to support our economy. The *American Workers Act* would retroactively restore eligibility for workers who have lost their jobs to receive unemployment insurance and COBRA health insurance benefits. The *American Workers Act* would extend additional safety-net programs that families depend on to get through these challenging economic times. The legislation would also extend tax cuts to small businesses and taxpayers which will help businesses grow and provide certainty and relief to families.

If enacted into law, the *American Workers Act* would extend:

- [Unemployment insurance to assist out-of-work Americans;](#)

- [Health insurance assistance for those who have lost their jobs](#);
- [Federal Poverty Guidelines to ensure recipients remain eligible for poverty-based programs](#);
- [Federal assistance to states](#);
- [Tax relief to help individuals and businesses during this time of economic uncertainty](#); and
- [Other expired provisions](#) that help American individuals and businesses recover and rebuild from the worst economic crisis since the Great Depression.

Senate Democrats will continue to work throughout the year to ensure that businesses begin hiring again and Americans are able to get back to work. For more information on the Senate jobs agenda, please see DPC Fact Sheet, entitled, "[Democrats Are Committed to Putting Americans Back to Work](#)."

## ***Extending unemployment insurance to assist out-of-work Americans***

American workers are continuing to struggle, and too many hard working Americans have lost their job through no fault of their own. Although the unemployment rate has decreased slightly to 9.7 percent, more than 6.3 million individuals have been out of work for more than six months. Worse, since the start of the recession in December 2007, the number of long-term unemployed (those jobless for 27 weeks or more) has risen by 5 million. [Bureau of Labor Statistics, [Employment Situation](#)] These individuals depend on assistance to support their families during these tough times.

The unemployment insurance system assists eligible jobless Americans by replacing part of their wages so the unemployed may continue to provide for their families. States typically pay for unemployment insurance through trust funds established to pay for unemployment benefits. Unfortunately, as states grapple with state budget woes, including reduced revenue and increased demand for benefits, many have begun to deplete their funds. Already 25 states have emptied their UI funds. [Pro Publica, [Unemployment Insurance Tracker](#)] Another nine states are expected to spend through their funds in the next few months. [Pro Publica, [Two Dozen States' Unemployment Funds in the Red](#)] Today, states are relying on loans from the federal government, increased taxes, and cuts in or end of benefits to continue serving the unemployed.

In 2008, Congress created the Emergency Unemployment Compensation program (EUCo8), which includes a tiered system for determining eligibility for federal unemployment benefits. Tier one includes 20 additional weeks of benefits for all states; Tier two includes 14 additional weeks of benefits for all states; Tier three includes 13 additional weeks of benefits for states with unemployment rates of 6 percent or higher; and Tier four includes 6 additional weeks of benefits for states with an unemployment rates of 8.5 percent or higher.

In addition, the Federal government pays 100 percent of the cost of state Extended Benefits programs which provide up to 13 additional weeks of benefits for unemployed workers who have exhausted regular state benefits or Emergency Unemployment Compensation. Last month, there were approximately 5.6 million individuals collecting federal unemployment benefits. [National Employment Law Project, [2/2010](#)]

The work of the 111th Congress to extend unemployment insurance for individuals suffering from sustained unemployment has significantly contributed to the well-being of millions of families. In 2009, more than 20 million Americans received unemployment benefits for some part of the year. [Associated Press, "[Unemployment sets a grim record in 2009](#)"; Pro Publica, [Unemployment Insurance Tracker](#)]

This year additional investments are required to meet the growing needs of American families.

Unfortunately, the extension of federal unemployment benefits recently lapsed. Senator Bunning's one-man filibuster of a crucial extension of these expiring benefits threatened an estimated 1 million people who could have become ineligible to receive unemployment benefits by the end of March had he continued his filibuster. [National Employment Law Project, [2/2010](#)] The silence by Republican leadership on Senator Bunning's irresponsible, six-day filibuster suggested their acceptance of his harmful posturing.

Americans unable to find a job depend on these unemployment benefits to sustain their families and maintain basic standards of living. The *American Workers Act* would extend enhanced unemployment benefits through the end of 2010, ensuring that American families continue to receive critical support while searching for a job.

### ***Extending assistance with health insurance for those who have lost their jobs***

Sixty percent of Americans under age 65 receive their health insurance coverage through their employer. [Kaiser Family Foundation, [10/2009](#)] For these Americans, losing their jobs means losing both their income and their health insurance. Under the *Consolidated Omnibus Budget Reconciliation Act*, known as COBRA, workers may continue their employer-sponsored health insurance for up to 18 months (or longer under certain circumstances). However, workers must pay both their portion and their employer's portion of the premium, as well as a two percent administrative fee, making the cost prohibitive for many Americans. The *American Recovery and Reinvestment Act (P.L. 111-5)* provided nine months of premium tax credits for those who lost their jobs between September 1, 2008 and December 31, 2009. The *Department of Defense Appropriations Act (P.L. 111-118)* extended the provision to provide up to 15 month of premium tax credits for those who were laid off between September 1, 2008 and February 28, 2010. Beginning March 1, 2010, workers who lost their jobs were not eligible for the 65 percent tax credit to help them afford health insurance through the *Consolidated Omnibus Budget Reconciliation Act (COBRA) (P.L. 99-272)*.

Without this tax credit, the average unemployed worker would need to spend 30 percent of their unemployment insurance check to maintain single coverage through COBRA. [Families USA, [1/2009](#)] Maintaining family health insurance coverage through COBRA is all but impossible, requiring 84 percent of one's unemployment insurance income, on average. After beating back a Republican filibuster, the Senate passed and President Obama signed the *Temporary Extension Act of 2010 (P.L. 111-144)*, which extended the premium tax credit to Americans

who lose their jobs through March 31, 2010. The *American Workers, State, and Business Relief Act* further extends the 65 percent COBRA premium tax credit to American who lose their jobs through December 31, 2010.

## ***Extending 2009 Federal Poverty Guidelines***

Poverty guidelines are updated each year to reflect changes in the economy as measured by the Consumer Price Index for all Urban Consumers (CPI-U). [Congressional Research Service, [10/22/2009](#)] The guidelines are used to determine eligibility for dozens of programs designed to assist low-income families in time of need, like food stamps, Medicaid, and LIHEAP. [HHS, [1/25/2010](#)] For the first time since poverty guidelines were first issued in 1965, the CPI-U has decreased from the previous year. [Department of Health and Human Services, [1/25/2010](#)] This decrease would have required the issuance of poverty guidelines for 2010 that were lower than those for 2009, leading to a reduction in eligibility for some people who were eligible for certain programs last year.

The *Department of Defense Appropriations Act* extended the 2009 poverty guidelines through March 1, 2010, and the *Temporary Extension Act of 2010* further expended the current guidelines through March 31, 2010. In order to prevent any benefit cuts for the remainder of the year, the *American Workers Act* further extends the current guidelines, allowing them to remain in place through 2010 and ensuring that all currently eligible individuals remain eligible for poverty-based programs.

## ***Extending Federal Assistance to States***

Rising unemployment and diminished state tax resources are making it difficult for states to meet the growing demand for the Medicaid program. The Kaiser Commission on Medicaid and the Uninsured reports that for every one percentage point increase in the nation's unemployment rate, an additional 1.1 million individuals become uninsured and another one million enroll in Medicaid or SCHIP. [Kaiser, [4/2008](#)]

Recognizing the strain on state budgets and the need to ensure eligible Americans may continue to receive health benefits through Medicaid, the *Recovery Act* increased the Federal government's contribution to Medicaid, called the federal medical assistance percentage (FMAP). The *Recovery Act* provided a 6.2 percentage point increase in the Federal government share of each state's program, included a "hold harmless" to suspend any otherwise scheduled reductions for states whose economic circumstances no longer reflect the economic health of the state when the reduction was determined, and provided additional, targeted Medicaid assistance for States with the most severe job loss. This additional federal support was scheduled to expire December 31, 2010.

The *American Workers Act* includes a six-month extension of the state fiscal relief provided in the *Recovery Act*. This extended, increased Federal commitment to state Medicaid programs recognizes the severe budget deficits crippling state governments and the states' decreased ability to provide services, and it carries states through the remaining fiscal year, which for most states begins in July and runs through the end of June. Forty-seven governors recently wrote Congress to request this six-month extension of the increased Federal support for state Medicaid programs. [National Governors Association, [2/22/2010](#)]

## ***Extending Expiring Tax Provisions***

The *American Workers Act* would extend several tax provisions that expired at the end of 2009, providing much needed tax relief for individuals and businesses during this time of economic uncertainty.

Tax relief for hard-working middle-class Americans who depend on these tax cuts to plan their budgets and determine how much money they can save or invest would include:

- A tax cut for teachers who buy classroom supplies out of their own pockets, so they can continue to provide quality education for tomorrow's workforce. Since 2002, teachers have been able to deduct up to \$250 a year for money that they spend out of their own pockets to buy supplies for their classrooms. More than three million teachers nationwide have taken advantage of this deduction each year. To partially offset the costs educators personally incur for the benefit of their students, this bill would extend this tax deduction for one year for teachers and other school professionals for expenses paid or incurred for books, certain supplies and supplementary materials used by the educator in the classroom.;
- A tax cut to help families afford college tuition, so our young people can get the world-class education they deserve without going broke. The average cost of a public, four-year college education has soared by 70 percent during the eight years of the Bush Administration. [The College Board, [2008](#)] To mitigate the impact of rising tuition costs on students and their families and to provide an incentive for individuals to pursue higher education, this bill would extend the above-the-line tax deduction for qualified education expenses;
- A tax cut to help families make homes more energy efficient and save money on utility bills while supporting jobs in the growing energy sector; and
- A tax cut to allow taxpayers to continue to deduct state sales tax on their federal tax returns, so families can continue to use the tax deductions they count on. Millions of taxpayers live in Alaska, Florida, Nevada, Washington, South Dakota, Tennessee, Texas and Wyoming – states that have deductible sales taxes but no state income tax. To continue to provide similar federal tax treatment to residents of states that rely on sales taxes rather than income taxes to fund state and local governmental functions, this bill would extend to taxpayers the option of deducting state and local sales.

Tax relief for American businesses that depend on these tax cuts when calculating their ability to pay their employees and hire new workers would include:

- A tax cut for research and development to help American businesses spur innovation and grow. Research can be the basis of new products, industries, and jobs for the domestic economy. To encourage firms to increase their spending on research and experimentation, this bill would extend the research tax credit;
- A tax cut to allow restaurant owners to depreciate new construction and improvements and retail store owners to depreciate improvements over 15 years rather than 39.5 years, which supports construction jobs and saves these businesses money they can use to reinvest in their companies and hire new workers;

- A tax cut for small businesses that continue to pay employees who have been called to active duty, so these businesses can continue to support these jobs and hire new workers;
- A tax cut to incentivize the use of biodiesel and renewable energy, which supports energy independence and jobs in this growing industry. According to many of the nation's biodiesel businesses, the expiration of one of the nation's biodiesel tax credits "has essentially caused the production and use of biodiesel in the U.S. to cease and has placed the 23,000 jobs that are currently supported by the domestic biodiesel industry in immediate jeopardy." This tax credit is important because the U.S. biodiesel industry has lost 29,000 jobs in 2009 while it added \$4.1 billion to the nation's Gross Domestic Product and generated \$828 million in tax revenue for federal, state and local governments [National Biodiesel Board, [2/2/10](#)]; and
- A tax cut to encourage businesses to invest in low-income communities to support jobs where they are needed the most.

## **Other Measures**

### **Help workers plan for their futures by helping businesses afford their pensions.**

The *American Workers Act* would provide temporary, targeted funding relief for single employer and multiemployer pension plans that suffered significant losses in asset value due to the steep market slide in 2008. According to the American Benefits Council, "As a result, billions of dollars that could be used to save or create jobs are scheduled to be diverted into pension plans... Temporary pension funding relief legislation will preserve jobs, promote economic recovery and alleviate the deficit without spending any taxpayer money." [American Benefits Council, [2/19/10](#)]

**Extending health care provisions.** The *American Workers Act* averts a scheduled 21 percent reduction in payments to physicians for treating Medicare and TRICARE beneficiaries, currently scheduled to take effect on April 1, 2010. The White House reports such a reduction would affect 600,000 physicians nationwide.

**Extending flood insurance.** In 1968, the U.S. Congress established the National Flood Insurance Program (NFIP) to address the nation's flood exposure and challenges inherent in financing and managing flood risks in the private sector. After several short term extensions, the program expired February 28, 2010. As of October 2009, there were over 5.5 million active policies nationwide. FEMA estimates that an average of 15,000 families and businesses purchase or renew NFIP each day. Each day that NFIP is not extended, home and business owners in flood risk areas will not be able to close on new mortgages and the policies of an estimated 12,600 renewal customers in good standing will lapse, leaving them without coverage even though they have already paid insurance premiums.

**Extending loan programs that help small businesses access the credit they need to operate and grow.** Traditionally, small businesses have been the engine for economic growth and job creation in the United States. Small businesses represent more than 99 percent of all employers, produce more than half of our non-farm Gross Domestic Product, and have generated nearly two-thirds of new jobs over the past 15 years. Small businesses are also at the cutting edge of innovation, hiring 40 percent of all high-tech workers and producing 13 times more patents per employee than larger companies.

The continued effects of the financial crisis and credit crunch, which nearly resulted in a catastrophic economic meltdown during the Bush Administration, are a significant obstacle to job creation, particularly for small businesses that are struggling to maintain operations, expand, and hire new employees. According to a report issued last week by the Federal Deposit Insurance Corporation, lending by the banking industry fell by \$587 billion, or 7.5 percent, in 2009, the largest annual decline since the 1940s, as the number of troubled financial institutions rose sharply. [*Washington Post*, [2/24/10](#)]

That's why the *American Workers Act* would continue funding for *Recovery Act* loan programs that provide small businesses with the capital they need to succeed and grow.

The *Recovery Act* provided \$375 million to increase guarantees on 7(a) loans from 75 percent to 90 percent and eliminated fees charged to borrowers on 7(a) and 504 loans to small businesses. The *Recovery Act* funding, however, was exhausted in November 2009. The *Department of Defense Appropriations Act* provided an additional \$125 million to fund the increased guarantee and fee elimination through February 2010 and the Congress this week passed another short-term extension through the end of this month in the *Temporary Extension Act of 2010*.

By February 26th, these funds were used to provide loans to more than 40,000 small businesses, providing more than \$21 billion in loans with small business owners reporting that these funds will help save or create more than 500,000 jobs. The extension proposed in the *American Workers Act* would provide for \$354 million in funding through the end of the fiscal year and extend the authorization through December 31, 2010. The Small Business Administration estimates that the extension of *Recovery Act* funding will support \$18.5 billion in 7(a) and 504 loans to small businesses. Based on the program's track record so far, this measure could support an estimated 440,000 jobs.

**Helping farmers through dire economic times and disastrous weather.** Floods, heavy rains, and other weather events have had severe impacts on some of the nation's agricultural producers and farmers. The \$2 billion provided for disaster assistance in the *American Workers Act* would help the nation's agricultural producers and farmers withstand the tight economic conditions caused by those severe weather events.