



# TaxNewsFlash

## United States



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## Final regulations implementing funding to support state and local governments (COVID-19)

The U.S. Treasury Department today released for publication in the Federal Register a final rule that adopts an interim final rule (May 2021)—with certain amendments—for purposes of implementing funding to support state, local, and Tribal governments as they manage the public health and economic consequences of the coronavirus (COVID-19) pandemic.

President Biden on March 11, 2021, signed into law the “American Rescue Plan Act of 2021” that allocates \$350 billion in funds to support state, local, and Tribal governments with regard to COVID-19 challenges. The legislation provides considerable flexibility for state, local, and Tribal governments to use the funds to address the needs of their communities; however, the legislation specifically prohibits funds from being used to offset a reduction in net tax revenue.

The interim final rule (May 2021) set forth how the funds could be used, including to support public health expenditures, to address negative economic effects caused by the public health emergency, to replace lost public sector revenue, to provide premium pay for essential workers, and to invest in water, sewer, and broadband infrastructure. Read [TaxNewsFlash](#)

The provisions in today’s [final rule](#) [PDF 1.1 MB] (387 pages) are effective April 1, 2022.

According to the preamble, Treasury received over 1,500 comments concerning nearly all aspects of the interim final rule. The final rule provides clarification to many aspects of the interim final rule, makes several changes to eligible uses under the program, and provides broader flexibility and greater simplicity in the program in response to public comments.

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