COVID-19 Pandemic: Federal Recovery Legislation and the NIPAs

Benjamin A. Mandel
Benjamin.Mandel@bea.gov

Mark S. Ludwick
Mark.Ludwick@bea.gov

In response to the COVID-19 global pandemic that began in early 2020, Congress passed four major pieces of legislation to provide support to individuals, communities, and businesses. The legislation established several temporary support programs/initiatives as well as provided additional funding for existing federal programs. Detailing the classification of these program transactions in the national income and product accounts (NIPAs) is important to understanding how the federal government's actions support the U.S. economy. This summary details the key provisions and BEA's treatment in the NIPAs for each piece of legislation. For an overview of the government account and general transactions in the NIPAs, please see "A Primer on BEA's Government Accounts."

Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020: $8.3 Billion

- Estimates based on CBO – H.R. 6074, Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020

The Coronavirus Preparedness and Response Supplemental Appropriations Act (CPRSA) was signed into law on March 6, 2020. This bill provided $8.3 billion in emergency funding for federal agencies to respond to the novel coronavirus outbreak.

Vaccine R&D, Preparedness, and Response: $6.5 Billion

$6.5 billion in new discretionary spending was dedicated to support vaccine research and development (R&D), medical equipment stockpiles, and state and local health budgets. The majority of these funds were allocated to the Public Health and Social Services Emergency Fund within the Centers for Disease Control and Prevention.

In the NIPAs, direct spending on response and preparedness is classified within federal consumption expenditures and gross investment. The purchase of items such as masks and protective gear are captured in consumption expenditures, while spending on the research and development of vaccines is classified as investment. Estimates of federal consumption expenditures are based on many data sources at the component level. In general, though, government spending for current estimates are based on data from the Monthly Treasury Statement, which are supplemented during the annual update with data from the federal budget. For R&D, estimates are ultimately based on data from the National Science Foundation.

Grants to state, local, and tribal public health organizations are classified as federal grants to state and local governments in the NIPAs. These transfers are received by the state and local government sector and then included in the appropriate category of spending when the funds are used. For programs to increase testing and implement measures to control the novel coronavirus, spending will mostly be in consumption expenditures and gross investment.

Humanitarian Assistance: $1.2 Billion

$1.2 billion has been designated to the State Department for humanitarian assistance and support for health systems in countries impacted by the pandemic. These funds will be used for making contributions to international organizations to prevent, prepare for, and respond to the novel coronavirus and for activities such as emergency evacuations.

In the NIPAs, funding for the duties of federal employees (including travel) is included within federal consumption expenditures, while contributions to international organizations are classified as transfer payments to the rest of the world.

Medicare Telehealth: $0.5 Billion

$490 million is provided for the removal of constraints on Medicare's payments for telehealth. This is intended to allow beneficiaries to consult their doctors remotely, avoiding hospitals and physicians' offices where they might risk exposure to the virus.

In the NIPAs, Medicare spending is recorded as a social benefit payment to individuals, and the receipts of these benefits increase personal income. The purchase of health care by the recipient is then recorded within personal consumption expenditures (PCE), even though mechanically the government will pay the healthcare provider directly.[1]

Small Business Loans: $0.02 Billion

The CPRSA provides about $20 million in appropriations to the Small Business Administration for the Disaster Loans Program Account.

Loans are financial transactions because they involve the exchange of financial claims and liabilities rather than current income and production, and therefore only interest from loans is recorded in the NIPAs.

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1. See the box *Accounting for Health Care Spending in Gross Domestic Product* in "Affordable Care Act Transactions in the National Income and Product Accounts" for more information about how heath care spending is recorded in the NIPAs.

The Families First Coronavirus Response Act, 2020: $192 Billion

- Estimates based on CBO – H.R. 6201, Families First Coronavirus Response Act

The Families First Coronavirus Response Act (FFRCA) was signed into law on March 18 and provides about $192 billion in spending and reduced revenues to provide paid sick leave, free COVID-19 testing, expanded food assistance and unemployment benefits and increased Medicaid funding.

Tax credits for Paid Sick Leave and Paid Family and Medical Leave: $105 Billion

Employees of small businesses who have been on the job for at least 30 days, government employees, and the self-employed were granted the right to take job-protected leave during the COVID-19 public health emergency. The leave can be used for quarantine due to exposure to or symptoms of coronavirus; to care for an at-risk family member quarantined due to exposure to or symptoms of coronavirus; and to care for a child of an employee if the child's school or child care has been closed or is unavailable due to coronavirus.

To subsidize the cost of the public health emergency leave, the government will provide impacted businesses and the self-employed about $105 billion in tax credits and refundable tax payments to cover paid sick and paid family and medical leave. The refundable tax credit is equal to 100 percent of qualified paid sick or family leave wages paid by an employer for each calendar quarter.[2] The tax credit is allowed against the employer or self-employed portion of social security taxes.

In the NIPAs, this transaction is classified as a subsidy to recognize that the federal payments are designed to cover the cost of employees (or the self-employed) paid emergency leave (see the Appendix: BEA's Classification of Emergency Government Support Programs for Employers and Individuals). This treatment will differ from that of the federal budget, which will show a reduction in payroll taxes for most of the cost of the subsidy with a smaller portion of refundable payments recorded as outlays.

While the direct transaction from government to employers will be classified as a subsidy, the impact of this program will be implied in the wages that are paid to employees and therefore support personal income.

Federal Matching Assistance Percentage: $50 Billion

$50 billion was allocated to cover an increase in the federal matching assistance percentage (FMAP). The FMAP for Medicaid is increased by 6.2 percentage points for services to enrollees who were not made eligible by the Affordable Care Act and for payments to states for hospitals that serve a disproportionate share of low-income and Medicaid enrollees. The increased matching funds will be available for the duration of the emergency.

The increase in the FMAP rate for Medicaid has secondary effects on programs tied to the FMAP rate — the FMAP rate is increased by 6.2 percentage points for the Medicaid programs in the U.S. territories and for the federal foster care, adoption assistance, and guardianship programs. The matching rates for the Children's Health Insurance Program (CHIP) are based on a formula that increases the Medicaid FMAP rates by a state-specific percentage, and the increase in the Medicaid FMAP leads to an average increase in the CHIP matching rates of about 5 percentage points.

2. A refundable tax credit is called refundable because the taxpayer can receive a payment from the government if the credit exceeds the taxpayer's tax liability.

In the NIPAs, federal FMAP payments to states are classified as grants to state and local government, while payments to U.S. territories are classified as transfer payments to the rest of the world. State and local government spending on programs such as Medicaid and CHIP are classified as social benefit payments to persons, with the receipt of these social benefit transfers being recorded as part of personal income.

Supplemental Nutrition Assistance Program: $21.2 Billion

Provisions to support the supplemental nutrition assistance program are estimated to cost $21.2 billion. The FFCRA waives work requirements for certain able-bodied adults without dependents to receive SNAP benefits. The requirements can be waived as of April 2020 and will end the month after the public health emergency is lifted. The FFCRA also allows states that have declared a disaster or emergency because of the pandemic to request waivers to increase SNAP benefits to the maximum allotment and to increase administrative flexibility.

In the NIPAs, SNAP benefits are recorded as federal social benefits payments to persons, while the receipt of these social benefit payments is included in personal income.

Emergency Unemployment Insurance Stabilization and Access: $4.7 Billion

$1 billion was designated for emergency grants to states for activities related to processing and paying unemployment insurance benefits. To receives these funds, states must take certain actions, including waiving the one week waiting period and the work search requirements that usually must be met before a worker can receive benefits. In addition, for states that receive emergency administrative grants, the federal government will pay $3.7 billion to cover 100 percent, instead of the normal 50 percent, of the costs of extended unemployment benefits through December 2020.

In the NIPAs, the direct payments to states are recorded as federal grants to state and local governments; costs of state and local governments for administering unemployment claims are mostly classified as consumption expenditures. Payments from the federal government to cover state and local portions of emergency unemployment benefits are classified as federal social benefits payments to persons, with the receipt of these transfers being recorded as part of personal income.

Medicare, Medicaid, and CHIP: COVID-19 Testing: $8.6 Billion

The FFCRA requires private health plans to provide coverage for COVID-19 diagnostic testing, including the cost of a provider, urgent care center, and emergency room visits. Also, Medicare Part B and Advantage, TRICARE, Medicaid, and CHIP must cover expenses for provider visits during which a COVID-19 test is administered or ordered. For Medicare, the additional federal costs are estimated to be $6.7 billion. For Medicaid and CHIP, the federal costs to cover the state expenses are estimated to be about $1.9 billion.

Payments to providers of services for Medicare and Tricare are classified as federal government social benefits to persons, while payments to providers of services for Medicaid and CHIP are classified as state and local government social benefits[3]; social benefit payments to persons are included in personal income.

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3. See the box *Accounting for Health Care Spending in Gross Domestic Product* in "Affordable Care Act Transactions in the National Income and Product Accounts" for more information about how heath care spending is recorded in the NIPAs.

Federal Government Discretionary Spending: $2.4 Billion

$2.4 billion is allocated to supplemental discretionary appropriations to federal agencies for defined purposes related to the novel coronavirus emergency. This appropriation will support areas such as the Employment and Training Administration, the Public Health and Social Services Emergency Fund, Administration for Community Living, and Food and Nutrition Service.

In the NIPAs, this spending is recorded in several categories including federal government consumption expenditures and various types of transfer payments.

The Coronavirus Aid, Relief and Economic Security Act (CARES), 2020: $1.8 Trillion

- Estimates based on CBO report H.R. 748, CARES Act, Public Law 116-136.

The Coronavirus Aid, Relief and Economic Security Act (CARES) was signed into law on March 27, 2020. This Act provides support to individuals, businesses, state and local governments in response to the economic conditions caused by the global pandemic.

Treasury Stabilization Fund: $500 Billion

The CARES Act makes $454 billion available for emergency lending to businesses, states, and cities through the U.S. Treasury's Exchange Stabilization Fund. Additionally, this includes $25 billion in lending for airlines, $4 billion in lending for air cargo firms, and $17 billion in lending for firms deemed critical to U.S. national security. A firm that takes a loan must not engage in stock buybacks for the duration of the loan plus one year and must retain at least 90 percent of its employment level as of March 24, 2020. Loans also come with terms limiting employee compensation and severance pay.

Loans and purchases of financial assets are not recorded in the NIPAS, but are recorded in the Federal Reserve Board's Financial Accounts of the United States. These financial transactions are not directly counted in GDP because they involve the exchange of financial claims and liabilities rather than current income and production. Financial transactions, however, may lead to subsequent income flows that are recorded in the national accounts. For example, the holding of financial assets may result in the federal government receiving interest and dividends, which would increase federal current receipts. Any associated capital gains or losses, however, are excluded from the NIPAs because they represent a change in the value of an existing asset rather than income from current production. If equity of a business is purchased (preferred stock, warrants, etc.) at significantly higher than market prices, it is possible there is an implied subsidy (capital injection) based on the price paid, in which case that amount would be classified as a capital transfer.

Paycheck Protection Program (PPP): $350 Billion ($660 Billion Total)[4]

$350 billion allocated for the Paycheck Protection Program, which is meant to help small businesses impacted by the pandemic and economic downturn to make payroll and cover other expenses for up to six months during the period February 15, 2020 to December 30, 2020. Small businesses may take out loans up to $10 million, based on a formula tied to payroll costs, and can cover employees making up to $100,000 per year. Loans may be forgiven if the loan is used for payroll, interest payments on mortgages, rent, and utilities and would be reduced proportionally by any non-exempted reduction in employees retained compared to the prior year and a 25 percent or greater reduction in employee compensation.

In the NIPAs, PPP loans that are forgiven are classified as a subsidy to the employers. Although administered as a "loan" the general intention is that these loans will be forgiven if the program's requirements are satisfied. Effectively the structure of the program to use loans are intended to ensure compliance with the terms of using the funds for specific costs to receive the subsidy — otherwise the loans are standard and need to be repaid. In addition, these payments support keeping businesses afloat and retaining employees in order to increase production or re-open after the emergency time period. Loans that are not forgiven are treated as regular loans in the national accounts, which are classified as financial transactions and have no direct impacts on the NIPAs except for interest flows.

Grants to State and Local Governments: $340 Billion

The CARES Act provides $339.8 billion to support state and local governments. $274 billion was allocated toward specific COVID-19 response efforts, including $150 billion in a Coronavirus Relief Fund for state and city government expenditures incurred due to dealing with the novel coronavirus public health emergency. The fund is allocated to states by population proportions, with a minimum of $1.25 billion for each state.

It also includes $5 billion for Community Development Block Grants, $13 billion for K-12 schools, $14 billion for higher education and $5.3 billion for programs for children and families, including immediate assistance to childcare centers.

In the NIPAs, the direct payments to state and local governments are classified as federal grants to state and local government. State and local government spending on these funds will generally be captured in estimates of consumption expenditures and gross investment and potentially transfer payments such as social benefits.

Economic Impact Payments to Individuals: $300 Billion

A total of $300 billion was allocated to provide a $1,200 refundable tax credit for individuals ($2,400 for joint taxpayers) that meet specified criteria. Additionally, qualified taxpayers with children will receive a flat $500 for each child. The rebate phases out at $75,000 for individual filers, $112,500 for heads of households, and $150,000 for joint taxpayers at 5 percent per dollar of qualified income. It phases out entirely at $99,000 for

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4. The CARES Act allotment of $350 Billion was later supplemented with an additional $310 Billion by the Paycheck Protection Program and Heath Care Enhancement Act. Several aspects of the PPP program were modified by the Paycheck Protection Program Flexibility Act (PPPFA), which was signed on June 5, 2020. The Paycheck Protection Program Flexibility Act (PPPFA) modified several provisions of the program, including extending the time allotted to use PPP funds from eight to twenty-four weeks, reducing the amount of funds required to be used on payroll from 75 percent to 60 percent, and increasing the exemptions for reductions in head counts for the loan forgiveness requirements.

single taxpayers with no children and $198,000 for joint taxpayers with no children. Tax returns for 2019 or 2018 will be used to calculate the rebate advanced to taxpayers, but taxpayers eligible for a larger rebate based on 2020 income will receive it in the 2020 tax season. Taxpayers with higher incomes in 2020 will see the overpayment associated with their rebate forgiven.

In the NIPAs, the distribution of these payments to individuals are recorded as federal social benefit payments to persons, and, in turn, increase personal income. To the extent that these funds are spent by individuals, the spending will be implied in estimates of personal consumption expenditures. Tax reconciliation adjustments related to the program will be implied in the estimates of personal current taxes for 2021.

Expanded Unemployment Insurance (UI): $268 Billion

Expanded unemployment insurance (UI) for workers, including a $600 per week increase in benefits for up to four months and federal funding of unemployment benefits provided to those not usually eligible for UI, such as the self-employed, independent contractors, and those with limited work history. The federal government is incentivizing states to repeal any provisions that prevent unemployed workers from getting benefits as soon as they are laid off by fully funding the first week of UI for states that suspend such waiting periods. Additionally, the federal government will fund an additional 13 weeks of unemployment benefits through December 31, 2020 after workers have run out of state unemployment benefits.

In the NIPAs, payments from the unemployment insurance program are classified as federal social benefit payments to persons and are included in personal income.[5]

Support for Hospitals and Community Health Centers and other Health Support: $140 Billion

$101 billion for hospitals and community health centers to support efforts to overcome shortages in medical masks, ventilators and hospital beds. The bill gives $16 billion to the Strategic National Stockpile to increase availability of equipment, including ventilators and masks. It also boosts hiring for vital health care jobs during the public health crisis and speeds the development of a vaccine, treatments and faster diagnoses. There is $20 billion set aside for veterans and $4.3 billion for CDC programs and response efforts.

In the NIPAs, these transactions will be classified according to the specific allocation of the fund and will generally include federal grants to state and local governments for state and local hospitals, subsidies to private hospitals, and social benefits for non-profit hospitals/health centers.

Employee Retention Credit under the CARES Act: $55 Billion

The Employee Retention Credit is a fully refundable tax credit for employers required to shut down because they face a coronavirus-related government mandate and to employers that see a significant decline in their revenue in 2020. The credit is equal to 50 percent of qualified wages that eligible employers pay their employees. This Employee Retention Credit applies to qualified wages paid after March 12, 2020, and before January 1, 2021. The maximum amount of qualified wages considered with respect to each employee for all calendar quarters is $10,000, so that the maximum credit for an eligible employer for qualified wages paid to any employee is $5,000.

5. For general information about UI benefits in the NIPAs, see "Analyzing Federal Programs Using BEA Statistics: A Look at Unemployment Insurance Benefits Payments"

In the NIPAs, the entire amount of these tax credits will be classified as subsidies. Subsequently, employer contributions for government social insurance (employer payroll taxes) will be adjusted to remove the tax credit (remove the reduction) to maintain the accrued compensation. This treatment recognizes that businesses are being subsidized to retain employees rather than engage in layoffs or furloughs (see the Appendix: BEA's Classification of Emergency Government Support Programs for Employers and Individuals).

Pandemic Relief for Aviation Workers: $32 Billion

$32 billion in payroll support was allocated specifically for the aviation industry, with $25 billion for passenger air carries, $4 billion for cargo air carriers and $3 billion for related contractors. The assistance will be allocated 70 percent to large carriers as grants and 30 percent as loans; assistance to smaller carriers will be provided as grants. In addition, the act authorizes the Treasury to receive warrants, options, and other securities as compensation for providing payroll assistance.

Relief for Existing Small Business Loans: $17 Billion

$17 Billion was allocated to the Economic Injury Disaster Loans (EIDLs) program, to cover principal and interest payments on existing SBA loan guarantees and direct loans, and other expenses.

In the NIPAs, the transactions of this program will mostly be recorded as either subsidies or excluded as financial transactions (loans), depending on if funds are distributed as grants (subsidies) or loans (see the Appendix: BEA's Classification of Emergency Government Support Programs for Employers and Individuals).

Supplemental Nutrition Assistance Program: $15.5 Billion

$15.5 billion is going to the Supplemental Nutrition Assistance Program (SNAP). The funds are allocated to cover the expected cost of new applications to the program as a result of the novel coronavirus.

In the NIPAs, payments for SNAP are included in federal social benefit payments to persons and are included in personal income. Associated spending would be captured in personal consumption expenditures.

Deferral of Employer Payroll Taxes: $12 Billion

The CARES Act provides that employers and self-employed individuals may defer payment of the employer share of payroll taxes owed on wages paid for the period ending December 31, 2020. Such deferred taxes are due in two installments: 50 percent by December 31, 2021, and 50 percent by December 31, 2022.

This payroll tax deferral applies to all employers, with no requirement to show any specific COVID-19-related impact. However, the deferral is not available to any employer that receives loan forgiveness with respect to the Paycheck Protection Program loan as described above.

The NIPAs will record the deferred portion of employer contributions for government social insurance (employer payroll taxes) on an accrual basis. This aligns the supplements within the same time period as the payment of associated wages that trigger the requirement for an employer to pay the contribution for social insurance to the government.

Child Nutrition: $8.8 Billion

$8.8 billion to give schools more flexibility to provide meals for students.

In the NIPAs, payments to states and local government are classified as grants and the subsequent spending for child nutrition school programs are included in state and local government consumption expenditures.

Student Loan Forbearance: $8 Billion

The CARES Act suspends borrowers' payments on all outstanding loans in the Federal Direct Loan Program and loans originated in the Federal Family Education Loan Program that are held by the Department of Education through September 30, 2020. Borrowers will receive credit toward meeting the requirements of any loan forgiveness and rehabilitation programs as though they had made payments. The act also waives interest accrual on those loans for the same period.

The Congressional Budget Office estimates that this provision will increase direct spending by $8 billion as a result from both a delay in the repayment of outstanding loans and from a reduction in the amounts paid by borrowers who make fewer payments because they will receive loan forgiveness or loan rehabilitation.

In the NIPAs, student loans are considered financial transactions and only have impacts related to interest. This provision will reduce personal interest payments to government and will, in turn, reduce government receipts of interest.

Excise Tax Suspensions: $4.3 Billion

Aviation excise taxes are suspended (tax holiday) until January 1, 2021.

In the NIPAs, this will result in a decline in excise taxes, which are classified as taxes on production and imports.

Medicare: –$10 Billion

Changes to the budget sequestration spending rules for Medicare are estimated to result in a net reduction of outlays of $19 billion. Increases to Medicare support for telehealth, services provided for post-acute care, and the payment rate for inpatient admissions for patients who are diagnosed with COVID-19 in a hospital that receives payment under Medicare's inpatient prospective payment system (IPPS) will increase outlays by about $9 billion.

In the NIPAs, Medicare spending is recorded as a social benefit payment to individuals, while the receipts of these benefits increase personal income. The purchase of health care by the recipient is then recorded within personal consumption expenditures (PCE), even though mechanically the government will pay the health-care provider directly.[6]

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6. See the box *Accounting for Health Care Spending in Gross Domestic Product* in "Affordable Care Act Transactions in the National Income and Product Accounts" for more information about how heath care spending is recorded in the NIPAs.

Various Other Tax Changes: $220 Billion

Modification of a limitation of losses for taxpayers other than corporations allows individual taxpayers to use the full amount of their business losses to offset nonbusiness income for tax years 2018 through 2020, or for farm losses, tax years 2018 through 2025 — Congress' Joint Committee on Taxation estimates that the provision will reduce revenues by $170 billion over the 2020–2030 period.

Modifications for net operating losses (NOLs) permit businesses to offset 100 percent of taxable income for net operating losses (NOLs) incurred over the three-year period from 2018 through 2020; before the enactment of the CARES Act, NOLs could be used only to offset up to 80 percent of taxable income. The act also temporarily allows corporations to carry back recently incurred NOLs for refunds of tax liabilities for the prior five years. JCT estimates that the provision will reduce revenues, on net, by $26 billion over the 2020–2030 period, with the largest effect, a reduction of $80 Billion in revenue, occurring in 2020.

Other various tax changes, such as changes to the treatment of certain retirement account transactions and changes to deductions for charitable contributions, are estimated to reduce federal government revenues by $24 billion over the 2020–2030 period, largely during the first two years.

Paycheck Protection Program and Health Care Enhancement Act, April 24, 2020: $484 Billion

- Estimates based on CBO Report – H.R. 266, the Paycheck Protection Program and Health Care Enhancement Act

Paycheck Protection Program (PPP): $320 Billion

The Act provides an additional $310 billion for the PPP that was established under the CARES Act. Specifically, $30 billion is allocated for loans made by banks and credit unions with less than $50 billion in assets and an additional $30 billion for community banks and credit unions with less than $10 billion in assets. In addition to funding for loans, the Act provides $10 billion for administrative costs.

As detailed in the PPP section of the CARES Act portion of this document, forgiven loans from this program are treated as subsidies in the NIPAs. Administrative costs are included in federal consumption expenditures.

Economic Injury Disaster Loan and Grant Programs: $62 Billion

This provision includes an additional $10 billion for Emergency Economic Injury Disaster (EIDL) grants and appropriates another $50 billion for the Disaster Loans Program Account.

In the NIPAs, grants to business are recorded as subsidies, while loans are generally treated as financial transactions.

Support for Hospitals and Other Health Facilities: $100 Billion

Provides $75 billion for reimbursement to hospitals and healthcare providers to support the need for COVID-19 related expenses and lost revenue. In addition, the Act provides $25 billion for expenses to research, develop, validate, manufacture, purchase, administer, and expand capacity for COVID-19 tests. This includes $11 billion for state and local governments and funds for the Centers for Disease Control and Prevention, the National Institutes of Health, the Biomedical Advanced Research and Development Authority the Food and Drug Administration and other community health centers and rural health clinics.

In the NIPAS, payments to hospitals and healthcare providers to support expenses and related revenues are classified as subsidies, while payments to state and local governments are classified as federal grants to state and local governments. Spending by federal agencies for direct activities are classified as federal consumption expenditures and gross investment.

Appendix: BEA's Classification of Emergency Government Support Programs for Employers and Individuals

The National Income and Product Accounts, produced by the Bureau of Economic Analysis, are developed under recommendations of the *System of National Accounts* (*SNA*). The *SNA* is a set of statistical guidelines built on economic concepts that provides a comprehensive, consistent, and flexible set of macroeconomic accounts for policymaking, analysis and research purposes. The guidelines are produced by and released under the auspices of the United Nations Statistical Commission, the European Commission, the Organization for Economic Co-operation and Development, the International Monetary Fund, and the World Bank Group.

In response to the global COVID-19 (coronavirus) pandemic, members of the United Nations Statistical Commission's Intersecretariat Working Group on National Accounts, in consultation with the Advisory Expert Group including BEA representatives, developed provisional guidance on the classification of government measures enacted to support employers, their employees, and the self-employed and how these measures should be recorded in macroeconomic statistics.[7] BEA applied these guidelines in making classification decisions, which are detailed in this document, such as the subsidy treatment of programs that provide support to employers, but are specifically designated for employee compensation.

When examining the various classification options, the criteria considered were in accordance with the fundamental principles of the *SNA*. One principle is that the classification of transactions in the accounts should reflect the nature of the transactions and their policy intent. Another consideration involves looking beyond a specific program's administrative details to capture the real economic effects. This involves trying to identify the intent of the program: For example, is the program aimed at primarily helping households? Or helping businesses? It also may involve looking beyond the mechanisms used to administer the programs. This is particularly true of programs such as loans through the Paycheck Protection Program and certain payroll tax credits for businesses. In such cases, rerouting transactions may be needed to accurately reflect the intent of the program (i.e., recording forgivable loans as subsidies).

7. See COVID-19: How to Record Government Support to Employers, Self-employed and Households. Statistical Advice (ISWGNA) on the UNECE site for Compilation of National Accounts in times of COVID-19.

According to the SNA guidelines, when government recovery programs provide support directly to employers and the self-employed to maintain their business and keep employees on payrolls (with the intent of having a quick return to production), the recording of subsidies on production is generally recommended.[8] The subsequent payments by the employer to its employees are recorded as wages and salaries.

This approach acknowledges both the benefits that employers gain from government funding, and the fact that employers' output is reduced because of government directives that close the business or otherwise reduce its operations. A subsidy treatment also reflects the intent of government to support the ability of businesses to reopen and return to prior production as quickly as possible once those directives are relaxed or removed. To that end, the government support to the employer maintains the continued employer-employee relationship to avoid a sharp and temporary decline in compensation of employees.

In the case of support to the self-employed, the same criteria for businesses is adopted, except the subsidy received is recorded within proprietors' income.

When government support programs predominantly and directly support the income of households, the guidelines recommend the transaction be recorded as a social benefit payment. This classification was used for temporary support programs related to the COVID-19 pandemic, such as the recovery rebate program that provides direct payments to individuals.

8. The guidelines offer several alternatives, but BEA supports the primary recommended treatment of a subsidy.

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