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TAXES

Supreme Court Shoots Down Appeal on Use of COVID Aid for Tax Cuts

Several GOP-led states sued after President Biden signed the American Rescue Plan Act into law in 2021.

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By Greg Stohr, Bloomberg News (TNS)

The U.S. Supreme Court turned away a Missouri appeal that sought to ensure states can cut taxes even as they receive \$195 billion in federal pandemic relief money.

The justices without comment left in place a federal appeals court decision that said Missouri lacked legal standing to press a lawsuit over the requirements imposed under the American Rescue Plan Act.

Missouri is among several Republican-led states that sued after President Joe Biden signed the \$1.9 trillion measure into law in March 2021. The law includes a provision that says a state can't use the money "to either directly or indirectly offset a reduction in the net tax revenue of such state."

Missouri said that provision prohibits only the deliberate use of relief funds to pay for a tax cut. The state argued that the Treasury Department's interpretation of the law would sweep more broadly, blocking any new state tax policy that reduces revenue without some sort of offset.

The St. Louis-based 8th U.S. Circuit Court of Appeals faulted Missouri for not pointing to any particular state policy that might run afoul of the federal rule. The state was seeking "a quintessentially advisory opinion," something federal courts don't issue, Judge Jane Kelly wrote for the panel.

The rejection is a victory for the Biden administration, which is fighting legal battles around the country over the restriction. A different federal appeals court, the Cincinnati-based 6th Circuit, said in November the provision is too vague to be enforced.

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