

## American Recovery Plan – Notes

### Newly Added

- **A \$10,200 per individual unemployment insurance exclusion for the 2020 taxable year, only for households with modified AGI of \$150,000 or less**
- **An increased employer-provided dependent care assistance exclusion**
  - For 2021, the limit on tax-free employer-provided dependent care assistance is increased from \$5,000 to \$10,500
- **Student loans are being set up to be forgiven**, with legislation that passed that gives a window between 12/30/2020 to 01/01/2026 where any student loan debt forgiven is tax free
  - This changes the existing law which would have anything forgiven roll to that person as other income
- Changes to the Earned Income Tax Credit and Premium Tax Credit
- Six months of free COBRA (Healthcare after termination) payments
  - This was 85% through September 2021 now it is six months free
- **Extension and expansion of the Employee Retention Tax Credit**
  - This was created through the CARES Act and assists with Payroll costs for businesses
  - Now available through December 2021
- Restaurant revitalization grants to cover restaurant business losses
  - \$25 billion set aside to support small to mid sized restaurants

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- **Additional stimulus payments will be made in this bill.** They will be different than the last two
    - **\$1,400 per taxpayer and another full \$1,400 for each dependent**
      - College age or elderly would now qualify as well
    - More aggressive phaseouts based on income
      - MFJ: \$150K-\$200K
      - Single: \$75K-\$100K
      - HOH: \$112.5K-\$150K
    - **Stimulus will be based on 2019 or 2020 income, whichever is most current with the IRS**
      - **Those who would have less income in 2019 and would fall under the threshold should wait to file their taxes if they would like a check**
      - As a reminder from the CAA (December bill), there will not be a claw back it after you file it is deemed you were above the threshold
  - **Increase to the enhanced Child Tax Credit for 2021**
    - Current credit is \$2,000 per child under age 17, APR would change this for **2021 only**
    - **For children under 6 the credit would be \$3,600 per child**

- **For Children six through 17 the credit would be \$3,000 per child**
- The extra increase from \$2,000 to \$3,600/\$3,000 would be subject to lower phaseouts
  - MFJ: \$150K
  - Single: \$75K
- The credit is to be paid in advance, beginning in July based on the most recent return on file
  - Unlike the stimulus checks, this **can be clawed back**
- **Increase of the Child Dependent Care Credit for 2021**
  - Current credit applies for parents who pay for full time childcare for a child under 13, with reductions in the credit based on income, **would change this for 2021 only**
  - **The Credit would become fully refundable**
  - **Max of \$4,000 for one child and \$8,000 for two or more children**
    - Income phaseout for this is set around \$400K and would be completely phased out at \$440K
- Earned Income Tax Credit changes
  - For 2021 only, taxpayers without kids can be as young as 19 (currently 25)
  - **Anyone with young adult children still being claimed as a dependent should see if it makes sense to have them file separately for 2021 based on this**
- Unemployment benefits set to expire March 14<sup>th</sup> would be extended to August 29<sup>th</sup>
  - The extra \$300 per week via CAA (December bill), **would increase to \$400 per week**
- Pay for up to 85% of COBRA coverage through September for individuals and families of those who have been laid off recently
  - To qualify, you cannot be eligible for Medicare or other group health coverage, and you cannot have quit willfully
- **A provision that stops the 415 retirement provision (how much can be put into a plan each year) from inflating after 2030**
  - Current threshold in 2021 is \$58,000 per year
  - This is a sneaky way to raise taxes by implementing a law that would not take effect until 2030
    - It has the effect of limiting retirement contributions long-term
- Relief for people who obtain their health coverage through a state run exchange
  - Ability to qualify at higher income levels
  - Auto-qualification if you receive unemployment in 2021
  - Relief for 2020 overpayment claw backs
- A few small opportunities for small businesses to **receive additional EIDL grants**
  - Severely impacted small businesses meeting specific requirements are able to apply for \$15 billion in allocation for these grants

