



Legislative Update

COVID-Relief Package

Congress approved an additional COVID relief package that is attached to the omnibus spending bill that provides spending authority through September 30, 2021 for the entire federal government. The \$900 billion relief package (the “Consolidated Appropriations Act of 2021) represents about 4% of our Gross Domestic Product (GDP). Let's break down this relief package to understand how this will impact you.

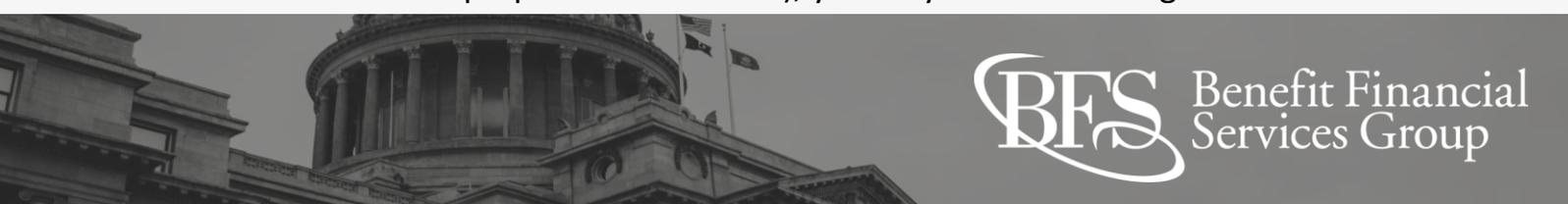
Stimulus Payments

Stimulus payments will be sent to everyone that qualifies based on the gross adjusted income of your 2019 tax return. Below is a chart of how much you would receive based on tax filing status and [adjusted gross income](#) (AGI).

Filing Single		Filing Married		Filing Head of Household	
AGI	Payment	AGI	Payment	AGI	Payment
<\$75,000	\$600	<\$150,000	\$1,200	<\$112,500	\$1,200
\$75,000 - \$87,000	Reduced Amount	\$150,000 - \$174,000	Reduced Amount	\$112,500 - \$124,500	Reduced Amount
>\$87,000	\$0	> \$174,000	\$0	>\$124,500	\$0

If you fall within the reduced amount range, the payment is reduced by \$5 for every \$100 your AGI exceeds the above thresholds. In addition, you should receive an additional \$600 per dependent child under the age of 16.

Most stimulus payments will be sent via direct deposit (similar to how you received the CARES Act stimulus payment). It took the Treasury a little less than 3 weeks to make the first payments after the CARES Act became law, so payments seem likely to be made in the first couple of weeks in January. However, if you received your payment by another method (paper check or prepaid benefit cards), you may wait much longer.





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If you made much less money in 2020 than 2019, thus making you eligible, when you file your 2020 return, there will be a way for you to claim this money in a form of a refundable tax credit.

If you never received your previous stimulus payment or only got part of it, you can claim what is known as a “recovery rebate credit” when you file your 2020 tax return. Check out the [IRS website](#) for more information.

Unemployment Insurance

The relief package extends the time people can collect unemployment an extra 11 weeks (your state may also offer its own extended benefit program). It also provides an extra \$300/week federal benefit (Pandemic Unemployment Compensation) that is provided on top of the usual state benefit that lasts through March 14th.

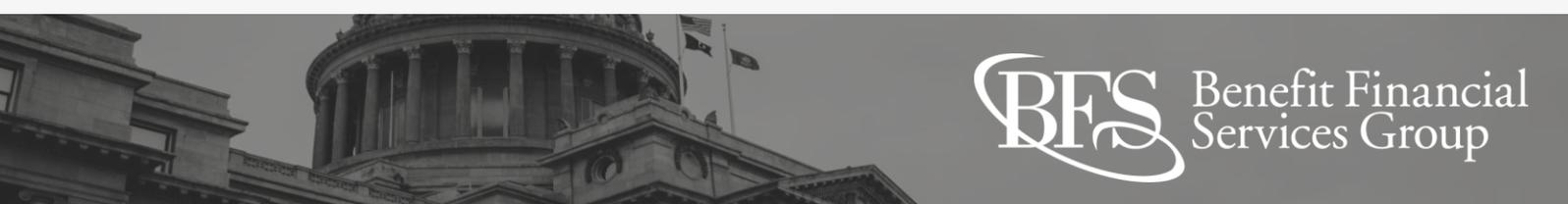
For those individuals that have a lower state-issued benefit based on their lower wages (earnings of at least \$5,000/year), an additional \$100/week federal benefit is available until March 14th.

If your benefits have already run out, check your state’s website for further instruction.

Housing

The Act would provide \$25 billion to be distributed through state and local governments to help renters who have fallen behind. Use this [database](#) to find state and local emergency rental assistance programs near you. The Act extends a moratorium on renter evictions through January 31st. To determine if you are eligible check out this [interactive tool](#).

As part of the CARES Act, for those homeowners struggling to make payments, you may qualify for a forbearance of a pause or reduced payment for up to 180 days (after that, you can ask for an additional 180 days).





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Any skipped payments aren't forgiven and must eventually be paid back. Forbearance typically applies to federally backed mortgages.

Single-family homeowners with loans backed by Fannie Mae or Freddie Mac would be protected from foreclosure through at least January 31st. The Federal Housing Administration, recently [announced](#) it would extend its foreclosure and eviction moratorium through February 28th.

Flexible Spending Accounts

If you have a [Flexible Spending Account](#) (FSA), you usually must spend the savings by year-end or you lose the money you contributed. Now, if your employer allows it, you could carry over unused health care or dependent care money and use it in 2021 and the same applies for 2021 money that you wish to carry over into 2022. The law also allows employers to raise the last eligible age for children's dependent care to 13, from 12, for the 2020 plan year.

Taxes

The above-the-line charitable contribution is extended through 2021 at \$600 for those married filing jointly (MFJ) and \$300 for other filers. This means that MFJ taxpayers will be able to take the standard deduction and deduct up to \$600 in charitable giving when calculating their taxable income.

For the tax return you file for 2020, you are able to use the money you earned from 2019 for qualification purposes instead of 2020, both for the [earned-income tax credit](#) and the refundable portion of the [child tax credit](#). This provision would allow additional people to maintain eligibility who might have lost it because they lost their job or worked fewer hours this year.

The Act permanently restores the AGI hurdle rate for medical expense deductions to 7.5% of AGI.





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To encourage business spending at restaurants, the Act allows business owners and sole proprietors a full (100%) deduction for meal expenses (“for food or beverages provided by a restaurant”) in 2021 and 2022.

Check out the [Tax Foundation](#) for more tax details of the agreement.

Student Loans & Higher Education

The pause on payments for individuals with student loans that begun with the CARES Act has already been extended to January 31st by the Education Department.

The ability for an employer to provide up to \$5,250 of annual tax-free education assistance used to pay the principal and interest on an employee’s qualified student debt is extended through 2025. Neither the employee nor the employer is liable for employment taxes on the amount. Additionally, the payment is received income tax-free to the employee.

With this Act, starting on July 1, 2023 the “expected family contribution” on FAFSA (Free Application for Federal Student Aid) applications will cease to exist and there will be less questions on the application (from 108 to 36). The new calculation will shield more of the money that working students earn from the formula to determine aid.

The legislation will expand eligibility for Pell grants, a form of aid for families typically earning less than \$60,000 a year. This will ensure that all families who make less than 175 percent and single parents who make less than 225 percent of the federal poverty level will receive a maximum award.





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