



# Legislative Update

## American Rescue Plan

**Congress approved an additional COVID relief package called the American Rescue Plan Act of 2021. This \$1.9 Trillion relief package represents about 9% of our Gross Domestic Product (GDP). \$5 Trillion in relief has now been dispersed since last year. Let's break down this relief package to understand how this will impact you.**

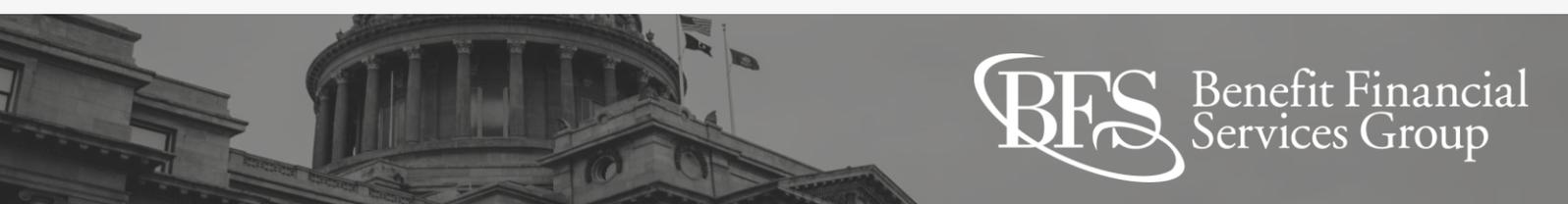
### Stimulus Payments

Stimulus payments will be sent to everyone that qualifies based on the adjusted gross income of your most recent tax return (2020 if you already filed or 2019 if you have not). The payment will be \$1,400 per person including adult dependents (i.e. college students). For example, a family of four would receive \$5,600 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	\$1,400	<\$150,000	\$1,400	<\$112,500	\$1,400
\$75,000 - \$80,000	Reduced Amount	\$150,000 - \$160,000	Reduced Amount	\$112,500 - \$120,000	Reduced Amount
>\$80,000	\$0	> \$160,000	\$0	>\$120,000	\$0

Unlike previous rounds of stimulus, this time the limits sharply decline once you are above the initial threshold.

Most stimulus payments will be sent via direct deposit. 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 late March or early April. Check out the [IRS Website](#) to track your payment.





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If you qualify based on your 2019 income but not your 2020 income you can delay filing your taxes until April 15<sup>th</sup> to qualify for this round of stimulus. If you don't qualify based on 2019 income but would qualify based on 2020 income, it is in your best interest to file your 2020 returns as soon as possible.

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

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## Unemployment Insurance

The relief package extends the time people can collect unemployment an extra 25 weeks (your state may also offer its own extended benefit program). It also provides an extra \$300/week in federal benefits (Pandemic Unemployment Compensation) that is provided on top of the usual state benefits that lasts through September 6<sup>th</sup>.

For individuals that have mix of income from self employment and wages by working from an employer may receive \$100/week federal benefits that lasts through September 6<sup>th</sup>.

The bill will make the first \$10,200 in benefits received to be tax free for households under \$150,000. This applies to 2020 only. If you already filed, you may have to amend your return.

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## Housing

The Act provides billions to be distributed through state and local governments to help renters who have fallen behind and face eviction. Use this [database](#) to find state and local emergency rental assistance programs near you. [Click here](#) to help you see if you may qualify for these benefits.

There will be benefits provided to help with homeowners struggling to cover mortgage and housing costs and about \$100 million for housing counseling to help people remain in their homes.



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## **Health Insurance**

The bill provides help for health insurance for those in need. If insurance is purchased through COBRA (allows people to keep insurance from a previous employer) the government will cover the premiums through September 30<sup>th</sup> for those laid off or had their hours cut.

For those purchasing insurance through an exchange, their premiums will not be more than 8.5% of their Modified Adjusted Gross Income (MAGI). This lower cost will be automatic and run through 2022.

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## **Food Aid**

The Supplemental Nutrition Assistance Program (SNAP) was extended through September 30<sup>th</sup>. SNAP provides aid to families in need so they can purchase healthy foods.

Reimbursement will be provided to emergency shelters to help feed individuals under 25 years old. The Pandemic Electronic Benefit Transfer program was also expanded through the summer to help provide meals to children while attending school.

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## **Child and Dependent Care Credit**

This tax credit that helps families with the cost of care for children under 13 was expanded for 2021. People with a zero-tax bill can collect this money as a tax refund. The credit was increased to \$4,000 for one dependent and \$8,000 for two or more dependents.

The credit is calculated as 50% of eligible expenses instead of the normal 20% - 35%. Households earning less than \$125,000 will be able to take the full deduction. The credit will be reduced below 20% for households with income of more than \$400,000.





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## **Child Tax Credit**

This tax credit currently provides a credit of \$2,000 per child age 16 or younger. The new bill for just 2021 will increase the amount to \$3,000 per child (\$3,600 for children under 5) for children 17 and younger.

In the past this was just a credit that was lost if not used. For 2021 this credit is fully refundable even if you have no taxes due. In fact, half of this credit could be paid to households over the next six months starting in July. A family with three kids ages 10, 12, and 17 would receive \$9,000 in a tax credit for 2021. Starting July, they will receive a payment of \$4,500 but it is unclear if this is a one-time payment or split over 6 months. The remaining credit will be claimed on the 2021 return.

This payment for the Child Tax Credit will be determined by your most recent tax filing (2019 if you have not filed 2020 taxes yet). To qualify your modified adjusted gross income (MAGI) depending on how you file must be less than \$75,000 for Single, \$150,000 Married or \$112,500 Head of Household. After that amount, the excess credit (\$1,000 or \$1,600 for children under 5) is reduced by \$50 for every \$1,000 above the MAGI limits.

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## **Earned Income Tax Credit**

This tax credit help childless households by providing a tax credit of \$543. For 2021 the credit is increased to \$1,502 regardless of tax filing status. The age to qualify has also been expanded so someone as young as 19 can file (with the exception for certain full-time students). The current upper age limit would also be eliminated so anyone over age 65 will also qualify. Check out the [IRS Website](#) to see the list of additional criteria to qualify.

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## **Dependent Care Flexible Spending Accounts**

Currently the max contribution allowed is \$5,000. Just for 2021, this amount has been increased to \$10,500, with a large caveat, your employer must allow this change. If your employer approves then you can increase the withholding from your paycheck.



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## **Help for Businesses**

The act provides \$7.25 billion to the Paycheck Protection Program (PPP). Coverage for Non-Profits was expanded but the filing deadline for PPP remains March 31, 2021.

The bill provides \$25 billion to aid restaurants and bars with payroll, rent and other expenses. These grants can be up to \$10 million with a cap of \$5 million per restaurant or bar location.

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