

The American Rescue Plan Act:

What Advisors Should Know About the Latest Stimulus Legislation

RECOVERY REBATE


- Payments of \$1,400/person, including dependents
- Phaseout ranges:
 - Single filers: \$75,000 - \$80,000
 - Head of Household filers: \$112,500 - \$120,000
 - Married-Joint filers with income below \$150,000 - \$160,000
- AGI will be reviewed from either 2019 or 2020 tax return (if filed)
- Clients who have NOT yet have filed their 2020 tax return have until September 1, 2021, to have their 2020 income reviewed. If the income assessed is lower in 2020, they may be entitled to a higher recovery rebate check.

Recovery Rebate Planning Questions:

- Did the client have a lower income in 2020 compared to 2019?
The 2020 tax return should be filed sooner rather than later.
- Will using the 'Additional Payment Determination Date' be advantageous?
- Would it make sense for the client to delay filing their 2020 tax return in order to collect the recovery rebate check if their 2019 income was lower?


Three Checkpoints The IRS Will Review When Issuing 2021 Recovery Rebates

Checkpoint #1

- **2019 or 2020 AGI (Latest on File) \leq Lower Threshold**
 - ↳ IRS Sends Full Amount 
- **2019 AGI > Lower Threshold and < Upper Threshold**
 - ↳ IRS Sends Pro Rata Amount
OR
2019 Tax Return Is On File
And Is Too High



Checkpoint #2

- **When 2020 AGI < 2019 AGI AND Filed Before Additional Payment Determination Date (APDD)**
 - ↳ If Rebate = Full Amount 
 - ↳ IRS Sends Additional Balance If Adjustments Needed
- **If 2020 AGI > 2019 AGI OR If 2020 Return Filed After APDD**



Checkpoint #3

- **When 2021 AGI < Upper Threshold**
 - ↳ IRS Sends Additional Balance If Adjustments Needed

INCREASED TAX CREDITS FOR 2021

Child Tax Credit:

- \$3,600/child under age 6
- \$3,000/child for age 6-17
- Extra 2021 amounts are subject to lower than usual phaseouts based on 2019/2020 tax returns
 - Joint filers: \$150,000
 - HoH filers: \$112,500
 - All other filers: \$75,000
- A portion of the credit may be paid in advance, beginning in July
- The credit is subject to clawback

Child & Dependent Care Tax Credit:

- Fully refundable
- Maximum of \$4,000/child or \$8,000 for 2 or more children for 2021 only

***Changes To The Child and Dependent Care Tax Credit in 2021
Include Increased Eligible Expenses and Applicable Percentage Values***

		Maximum Eligible Expenses	Maximum Applicable Percentage	Maximum Credit
2020	1 Qualifying Child	\$3,000	35%	\$1,050
	2 or More Qualifying Children	\$6,000	35%	\$2,100
2021	1 Qualifying Child	\$8,000	50%	\$4,000
	2 or More Qualifying Children	\$16,000	50%	\$8,000

UNEMPLOYMENT & HEALTHCARE-RELATED UPDATES

- Benefits set to expire March 14th would be extended to September 6th, 2021
- The 'extra' unemployment (on top of state benefits) is \$300/week
- Pandemic Emergency Unemployment Comp (for self-employed individuals) has also been extended
- The Act allows those who have been laid off to maintain current employer-sponsored health coverage, via COBRA, for both individuals and their families through the end of September 2021
 - Premiums for such coverage are to be paid by the former employer and are reimbursable to the employer in the form of a refundable payroll tax credit
- \$10,200/person of unemployment compensation received in 2020 will be tax free
 - AGI must be under \$150,000

EMPLOYER-RELATED UPDATES

- The Employee Retention Credit (ERC) is extended through the end of 2021
- The Paycheck Protection Program (PPP) Second Draw deadline is March 31, 2021

STUDENT LOAN UPDATES

- Section 9675 of the American Rescue Plan Act amends Section 108 of the Internal Revenue Code to exclude the discharge of student debt from income. However, the debt must be forgiven between 2021 and 2025.