



Hello everyone I hope you are doing well.

Yesterday the House of Representatives approved the Senate version of a \$1.9 trillion coronavirus relief bill. President Biden is expected to sign the bill into law this Friday. The bill is called the American Rescue Plan Act of 2021 (ARPA). Below is a summary of what I believe are the highlights of this bill. [Click here to read the bill in full.](#) It's only 628 pages.

### **Unemployment Received in 2020 Partially Excluded from Income for Some Taxpayers**

Beginning with 2020, if your adjusted gross income is below \$150K you can exclude \$10,200 of unemployment income. There is no phase out, if you make over \$150K you cannot exclude the \$10,200. This applies to joint, head of household and single filing status. For a married couple the \$10,200 would be for each, so a total of \$20,400 could be possibly excluded.

If you have already filed a tax return with unemployment income, you will need to amend the return. We are identifying those clients of ours who this affects and will contact you if you need to amend your return.

### **2021 Individual Recovery Rebate/Credit**

Under ARPA, eligible individuals will receive an income tax credit for 2021 equal to \$1,400 per taxpayer (\$2,800 for joint) plus \$1,400 for each dependent of the taxpayer.

The credit is reduced for taxpayers with adjusted gross income (AGI) over:

- \$150,000 for a joint return
- \$112,500 for head of household
- \$75,000 for all other taxpayers

The credit is completely phased out (reduced to zero) for taxpayers with AGI over:

- \$160,000 for a joint return
- \$120,000 for head of household
- \$80,000 for all other taxpayers

If you have not filed your 2020 tax return, the 2019 tax return will be used in determining if you qualify for the credit and how much you qualify for. If you have filed it they will use the 2020 information. This is a 2021 credit and will be calculated on the 2021 1040. The IRS will send out the funds as soon as possible in 2021.

### **Child Tax Credit Expanded for 2021**

Under ARPA, for tax year 2021, the Child Tax Credit (CTC) will be increased to

\$3,000 per child (\$3,600 for children under age 6 as of the close of the year) and will include children who are 17 years old.

There is a partial phase out of the credit for AGI's above \$75K for singles, \$112,500 for head of household, and \$150K for joint filers.

The IRS is to create a program in which you can receive an advance payment up to 50% of the CTC based on your 2020 tax return.

### **Child and Dependent Care Credit Enhanced and Made Refundable**

For taxpayers with AGI of \$125,000 or less, the maximum amount of the credit is \$4,000 for one child and \$8,000 for two or more children.

### **Taxpayers Don't Have to Repay Excess Advance Premium Tax Credit Payments for 2020**

Under ARPA, no additional income tax is imposed for tax years beginning in 2020 where the advance credit payments exceed the taxpayers premium tax credit.

If you have filed your tax return already and you were required to repay health insurance premiums, you will need to amend your 2020 tax return. We are in the process of notifying those clients affected by this change.

Please understand that this law is new and we are still trying to digest all of it's provisions. I have given you the highlights of what I feel is most important to our client base. There are several provisions that I have not addressed in this letter. Please feel free to read the law for a more complete understanding.

For all of those who have already filed returns with unemployment compensation and health insurance subsidy repayments you will possibly need to file amended returns. If we prepared and filed the return we will notify you of the next steps.

I really appreciate everyone's patience and understanding with what is a very challenging tax season.

I will continue to keep you updated as I learn more.

Below is a link to our YouTube channel that has other really good content dealing with tax and business related issues. Subscribe to the channel to be notified of new videos we post.

[REH CPA YouTube Channel](#)

Thank you!

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