



Important Provisions of the American Rescue Plan Act of 2021

ARPA, as I will refer to it from this point forward, is meant to “change the course of the pandemic and deliver immediate relief to American workers.”⁵ Like the previous coronavirus aid packages, ARPA is designed to stimulate the economy by reducing unemployment and ensuring consumers have the money they need to cover expenses and purchase goods and services.

What follows is an overview of the provisions that could affect the finances of either yourself or your loved ones. Let’s start with:

DIRECT PAYMENTS⁶

What’s the quickest way to ensure people get the money they need? Pay them directly. Perhaps the most newsworthy aspect of this bill is that many taxpayers will receive another direct payment to help them cover expenses.

Here’s a breakdown of how it will work. Note that the IRS will base these amounts on the information found in your 2020 tax return, or your 2019 tax return if you haven’t filed your 2020 return yet.

Individuals who make up to \$75,000 will receive **\$1,400**.

Heads of Household (single parents, for example) who make up to \$112,500 will receive **\$1,400**.

Married couples filing a joint tax return who made up to \$150,000 will each receive **\$1,400**, for a total of **\$2,800**.

On top of this, each taxpayer will receive an **additional check for \$1,400 for each dependent they have**, including adult dependents. This is great news to parents – especially parents of college students! (The previous two stimulus payments were limited to dependent children under the age of 17.) So, for example, a married couple with two children could receive up to \$5,600. Note, however, that payments decrease for individuals and married couples with income above their respective thresholds. And the payments disappear entirely for individuals who made more than \$80,000, single parents earning more than \$120,000, and married couples earning more than \$160,000.

The upshot is that Americans who qualify to receive stimulus checks could receive significantly more than they did in the first two rounds – but slightly fewer Americans will receive them overall. This was the result of intense negotiating in Congress, with several key members from both parties refusing to support the bill unless it came with stricter eligibility limits.

By the way, if you haven’t filed your tax return for 2020 yet, note that the IRS recently extended the filing deadline to May 17, 2021.⁷

Speaking of taxes...

TAX CREDITS⁸

In many ways, ARPA is really a tax bill – because many of the ways it helps stimulate the economy are due to changes to the tax code. Even the direct stimulus payments are technically tax credit. In this case, ARPA expands several tax credits. Perhaps the most important is the **child tax credit**, which has been expanded for the 2021 tax year.

Under ARPA, households with children can claim a tax credit of \$3,600 per child under the age of six, and \$3,000 per child between ages six through seventeen. (Previously, the credit was worth up to \$2,000 per child.) These amounts are reduced for individuals earning more than \$75,000 per year, or married couples making more than \$150,000 per year. For these people, the expanded tax credit – meaning the extra amount above the original \$2,000 credit – will be reduced by \$50 for every \$1,000 earned above those income levels.

In addition, the child tax credit is now fully refundable. That means “you can receive money from it as a tax refund even if your tax bill is reduced to zero.”⁸ Eligible households can receive half of this benefit in 2021. The plan is for payments to be made monthly beginning in July.

Here's an example of how this would work. Imagine a married couple, Jack and Jill, who earn less than \$150,000. They have two children, ages 10 and 12. Each is eligible for a \$3,000 credit (\$6,000 overall). If the payments are made monthly, Jack and Jill would receive \$500 per month starting in July and going through the rest of the year. That would be half of the total \$6,000 credit. Jack and Jill could then claim the other \$3,000 next year on their 2021 tax return.

UNEMPLOYMENT⁹

ARPA also extends COVID-related unemployment benefits. Specifically, unemployed workers will continue to receive weekly \$300 benefits through September 6 of this year. Also, the first \$10,200 of unemployment benefits received in 2020 will not be taxable for workers in households earning less than \$150,000.

If any of your family members lost their job, please feel free to reach out. My team and I would be happy to answer their questions or provide any assistance we can.

BUSINESS SUPPORT¹⁰

In order to stimulate the economy, you must stimulate businesses – especially small businesses. To that end, ARPA provides:

- \$7 billion for the Paycheck Protection Program, which helps small businesses retain their employees. Loans received through this program may be forgiven in whole if certain conditions are met.
- \$28.6 billion in grants for restaurants and bars, which have been hit especially hard by the pandemic.
- \$15 billion for Emergency Injury Disaster Loans, especially for businesses with fewer than ten employees.

ARPA also extends tax breaks to businesses that voluntarily provide paid sick and family leave to workers affected by the virus.

CONCLUSION

As you can see, the American Rescue Plan Act of 2021 is a massive bill. In fact, this message only scratched the surface! Time will tell whether even *more* stimulus is needed this year, but for the time being, this should go a long way to propping up the economy.

Of course, my team and I will continue poring over these changes. If there is anything else we feel you need to know, we'll reach out to you. In the meantime, if you have any questions about:

- Getting your direct payment(s), and how to best utilize these funds
- Reviewing your tax liability and potential tax credits
- Or anything else related to your finances

Please don't hesitate to let me know. My team and I are always here for you.

-STEVE ROBBINS, CFP®

Sources

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- ⁷ “Tax Day for individuals extended to May 17,” *Internal Revenue Service*, March 17, 2021. <https://www.irs.gov/newsroom/tax-day-for-individuals-extended-to-may-17-treasury-irs-extend-filing-and-payment-deadline>
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- ¹⁰ “American Rescue Plan Act of 2021,” *Wikipedia*, https://en.wikipedia.org/wiki/American_Rescue_Plan_Act_of_2021