

# American Rescue Plan Act of 2021

## Highlights of Key Provisions

### Third Stimulus Payment

- Provides a \$1,400 direct payment of “stimulus” to individuals, or \$2,800 to married couples filing jointly, plus an additional \$1,400 for each qualifying dependent, regardless of age.
- Based on 2019 or 2020 tax return (if filed), payments begin to phase out when adjusted gross income (AGI) exceeds \$75,000 for single filers, \$150,000 for married filing jointly (MFJ), and \$112,500 for taxpayers who file as head of household (HOH).
- If you don’t receive the full benefit you are entitled to, you will be able to claim any missing money from the third payment on your 2021 tax return. If you have not received your payment by April 1<sup>st</sup>, visit the [IRS website](#) to check on the status.

### Unemployment Benefits

- Due to expire on March 15<sup>th</sup>, 2021, the \$300 per week extra unemployment benefit is extended until September 6<sup>th</sup>, 2021.
- The first \$10,200 of unemployment income received in 2020 is now tax exempt for households with AGI less than \$150,000.

### Child Tax Credit (only for 2021)

- Credit increases to \$3,000 for each child ages 6 to 17 (\$3,600 for each child under 6), subject to phase outs starting at \$75,000 for single filers (\$150,000 MFJ; \$112,500 HOH).
- Taxpayers ineligible for the expanded credit may still claim a \$2,000 credit, subject to phase outs starting at \$400,000 for MFJ filers (\$200,000 for all other filers).
- The credit will now be fully refundable.
- Half of the credit will be paid in advance as periodic payments to households from July 2021 to December 2021. Taxpayers may “opt out” if they wish not to receive these payments. Remaining credits will be claimed on the 2021 tax return.
- If overpayments of the tax credit are made in 2021, taxpayers may be required to repay some or all of the overpayments based on their 2021 AGI according to the following table:

Filing Status	No Repayment	Partial Repayment	Full Repayment
Single	Less than \$40,000	\$40,000 - \$80,000	Over \$80,000
HOH	Less than \$50,000	\$50,000 - \$100,000	Over \$100,000
MFJ	Less than \$60,000	\$60,000 - \$120,000	Over \$120,000

## Highlights of Key Provisions (continued...)

### Child and Dependent Care Tax Credit

- Credit up to 50% of \$16,000 of costs, with maximum raised to \$4,000 for one child and \$8,000 for two or more children. The credit starts to phase out for AGIs above \$125,000.
- The credit will now be fully refundable.

### Dependent Care FSA (only for 2021)

- Employees may contribute up to \$10,500 (\$5,250 if married filing separate) to a Dependent Care Flexible Spending Account (subject to employer adoption).

### Earned Income Tax Credit (only for 2021)

- For childless taxpayers, the tax credit increases to \$1,502.

### Student Loans

- Federal student loan debt that is forgiven from now until the end of 2025 will not be treated as taxable income.

### Healthcare Benefits

- A 100% subsidy for COBRA payments due to involuntary loss of job or reduction in hours worked. The subsidy will pay for COBRA payments from April 1<sup>st</sup>, 2021 to September 30<sup>th</sup>, 2021. The subsidy will end if you get a job that has health insurance or have access to another group plan or Medicare.
- Affordable Care Act (ACA) subsidies will increase for lower-income households and are expanded to include higher-income households. No one enrolled in a healthcare plan under ACA will pay more than 8.5% of their income for coverage. These expanded benefits will apply until the end of 2022.

# Tips For Optimizing the American Rescue Plan

## If You Lose Your Job

### Unemployment Compensation Changes

- Apply for unemployment benefits right away.
- Call lenders and ask for relief from monthly payments (if necessary).
- Use your stimulus payment to create or add to your emergency fund.
- If you filed a 2020 tax return and claimed unemployment income, consider filing an amended return to reclaim the taxes paid on it.

### Healthcare Benefit Changes

- Use the COBRA subsidy to maintain health insurance through the end of September. If you are still on COBRA after September, visit [HealthCare.gov](https://www.healthcare.gov) to look for subsidized coverage under the ACA.

## If You Are Experiencing Overwhelming Financial Stress

### Use Stimulus Money to Move Closer to Financial Stability

- Determine immediate financial needs (e.g., food, water, shelter) and use your stimulus payment to meet them. Use remaining funds to pay down high-interest debt or to establish an emergency fund.

### Student Loan Changes

- The moratorium on federal student loan principal and interest payments continues through the end of September. Use the relief to get caught up on past due accounts or to create a cash cushion.
- Be prepared to resume repayments once the moratorium is lifted.

### Child Tax Credit Changes

- Use payments to make further progress toward financial goals.
- Plan for 2021 childcare expenses when you file your 2020 tax return to determine if you will opt in or out of the advanced payments.

## If You Have Dependent Care Expenses

### Dependent Care FSA Changes

- Consider increasing your dependent care FSA contributions to reduce your 2021 taxable income.
- Since you cannot claim the dependent care tax credit for expenses paid from an FSA, consider your income and amount of dependent care expenses to determine which tax strategy is best for you.