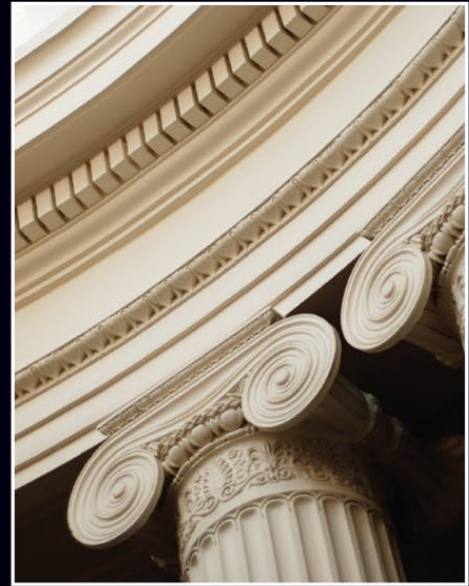


Today's Instructor

Tom O'Saben, EA



- ❖ Assistant Director, Professional Education & Outreach for Tax School
- ❖ Fall Tax School Instructor, and Author and Reviewer of *University of Illinois Federal Tax Workbook*
- ❖ Tax Practitioner with over 30 years of experience



Tax Provisions of The American Rescue Plan Act

American Rescue Plan Act

◆ H.R. 1319

- [www.congress.gov/117/bills/hr1319/BILLS-117hr1319eas.pdf]
- Signed by President Biden March 11, 2021

Items For Tax Preparers to Concern Themselves

- ◆ Recovery Rebates
- ◆ Unemployment Benefits
- ◆ COBRA Continuation Coverage
- ◆ Child Tax Credit
- ◆ Earned Income Credit
- ◆ Child and Dependent Care Credit

Items For Tax Preparers to Concern Themselves

- ◆ Family and Sick Leave Credits
- ◆ Employee Retention Credit
- ◆ Premium Tax Credit
- ◆ Student Loans
- ◆ Misc Provisions

Items For Tax Preparers to Concern Themselves

- ◆ Recovery Rebates (\$6428B)
 - \$1400 (\$2800MFJ)
 - \$1400 for each dependent
 - ✧ Includes college students and qualifying relatives who are claimed as dependents
 - MFJ: Phase out begins at \$150K; gone by \$160K
 - HoH: \$112,500; gone by \$120K
 - Other Statuses: \$75K; gone by \$80K
 - 2019 will be used unless 2020 already filed

Items For Tax Preparers to Concern Themselves

- ◆ Unemployment Benefits (§9663(g))
 - First \$10,200 tax free for 2020
 - ✧ AGI must be below \$150K (Taxpayer not defined by the Act---it just states “taxpayers”)
 - ✧ Don’t count on the states joining in

Items For Tax Preparers to Concern Themselves

- ◆ COBRA Continuation (§9501(A))
 - Premium Assistance between now and Sept 30
 - Reinstates Sec. 6432 that was repealed
 - Also allowed against Medicare Tax
 - Refundable
 - Might be eligible for advance payments
 - Recipients not also eligible for health coverage tax credit

Items For Tax Preparers to Concern Themselves

- Child Tax Credit (§9611)
 - ✧ Changes begin in 2021
 - ✧ \$3,000 per child (\$3,600 under age 6)
 - ✧ 17 year olds included
 - ✧ Phase Outs begin \$150K MFJ, gone by \$210K; \$112,500 HoH, gone by \$172,500
 - ✧ \$75K Others, gone by \$135K
 - ✧ Congress wants IRS to offer advance payments beginning in July; IRS required to establish a portal for taxpayers to opt out or provide info to IRS

Items For Tax Preparers to Concern Themselves

- Child Tax Credit (§9611)
 - ✧ Will need to be reconciled on the 2021 return; too much = increase in taxable income
 - ✧ UNLESS: Taxpayer AGI not > 200% of the phaseout range; excess will be reduced by a safe harbor of \$2K per child....so if they are in the phase out range they will still get to keep some of the credit....above the phase out range it's all added to income

Items For Tax Preparers to Concern Themselves

- Earned Income Credit (effective 2021) (§9621)
 - ✧ New rules for taxpayers with no children
 - ✧ Minimum age now 19 (was 25)
 - ✧ Maximum age eliminated (was 65)
 - ✧ Phaseout % increased and amounts increased
 - ✧ Allowed for certain separated spouses
 - ✧ Investment income disqualification raised to \$10K
 - ✧ Taxpayers can use 2019 income instead of 2021 income if result is better for the taxpayer

Items For Tax Preparers to Concern Themselves

- Child and Dependent Care Credit (§9631)
 - ✧ Refundable for 2021 only
 - ✧ Increased to as much as \$4k for one child or \$8K for two or more children
 - ✧ Starts to decrease at \$125K; >\$400K decreased even below 20%

Items For Tax Preparers to Concern Themselves

- Family and Sick Leave Credits (§3132)
 - ✧ Extended to Sept 30
 - ✧ Paid Family Leave increased to \$12K
 - ✧ Self Employed Days increased from 50 to 60
 - ✧ COVID Vaccinations count too
 - ✧ After March 31, program resets for overall days

Items For Tax Preparers to Concern Themselves

- Employee Retention Credit (§9651)
 - ✧ Extended through the end of 2021
 - ✧ Watch interplay between this credit and PPP loans

Items For Tax Preparers to Concern Themselves

- Premium Tax Credit (§§9661,9662,9663)
 - ✧ In 2020, receive too much, not required to be paid back
 - ✧ Unemployment during 2021 counts as an applicable taxpayer; means it's not included as part of household income in certain circumstances

Items For Tax Preparers to Concern Themselves

- Student Loans (§9675)
 - ✧ For years 2021 through 2025, forgiven student loans not to be included as income

Items For Tax Preparers to Concern Themselves

- Misc...
 - ✧ EIDL grants: Nontaxable and expenses are still deductible (§9672)
 - ✧ Excess Business Losses (EBLs) when they return will be extended one more year through 2027 (§9041)