

# American Rescue Plan Act of 2021: What Individuals & Families Should Know

Updated April 22, 2021

Here are several benefits within Coronavirus legislation that individual taxpayers and families should be aware of.

**Stimulus payments.** The IRS had issued a first round of stimulus payments to taxpayers in 2020 under the CARES Act and followed up with a second round of stimulus payments in early 2021 under the COVID-19 Relief Package. The American Rescue Plan Act of 2021 (ARPA) contains a third stimulus payment. The following table indicates how much the payments are, the phase-out ranges and the tax year used to determine the payments. All stimulus payments are non-taxable. The first and second stimulus payment are reconciled on your 2020 tax return. If you received less than the Covid-19 Relief and Cares Act allowed, you can file and receive the balance of those first two stimulus payments. The third stimulus under the American Rescue Plan Act will be reconciled on the 2021 tax return. You can determine the status of your third stimulus check with the [IRS Get My Payment tool](#).

<b>CARES Act and Covid-19 Relief Package</b>	<b>American Rescue Plan Act of 2021</b>
<p><b>Direct Payments</b></p> <ul style="list-style-type: none"> <li>• Single/Head of Household/MFS \$1,200 Cares Act - \$600 Covid-19 Relief</li> <li>• Married Filing Joint \$2,400 Cares Act - \$1,200 Covid-19 Relief</li> <li>• Dependent under 17 - \$500 Cares Act - \$600 Covid Relief</li> </ul>	<p><b>Direct Payments</b></p> <ul style="list-style-type: none"> <li>• \$1,400 Single/Head of Household/MFS</li> <li>• \$2,800 Married Filing Joint</li> <li>• \$1,400 Dependents (Code Sec 151) Qualifying Child and Qualifying Relative</li> </ul>
<p><b>Credit Phase-Outs</b></p> <ul style="list-style-type: none"> <li>• \$75,000 S/MFS-\$112,500 HH-\$150,000 MFJ Reduced \$5 per \$100 of add'l income</li> </ul>	<p><b>Credit Phase-Outs</b></p> <p>\$75,000 S/MFS-\$112,500 HH-\$150,000 MFJ Phased Out at \$80,000/\$120,000/\$160,000</p>
<p>Advance payments are based on: CARES Act: 2018/19      Covid-19: 2019</p>	<p>Advance payments are based on information on <b>2019 or 2020 tax return information</b></p>

**Unemployment.** Unemployment benefits for workers affected by COVID-19 have included those who were previously not eligible for unemployment, including part-time employees, freelancers, independent contractors, gig workers, and the self-employed. Eligible workers under the Cares Act may have received an extra \$600 per week in 2020 on top of the amount they're entitled to under state law. Later COVID-19 legislation lowered the additional amount to \$300 per week from December 26, 2020 to September 6, 2021.

The latest COVID-19 legislation also extends unemployment benefits for workers who may have exhausted their state benefits. Eligible workers may receive unemployment benefits for a maximum of 53 weeks through September 6, 2021.

The American Rescue Plan Act also allows an exemption of up to \$10,200 of unemployment compensation for 2020 (for each spouse on married filing joint returns) if adjusted gross income is under \$150,000.

**Sick leave.** National Paid Sick Leave allows a full-time employee who is impacted, or sick from COVID-19 and quarantined, to be eligible for up to 80 hours of paid sick leave at 100% of the regular rate over a two-week period. Part-time employees can each be eligible to receive pay for the average amount of hours they'd work over a two-week period.

Employees who have been employed for at least 30 calendar days can be eligible for up to an additional 10 weeks of paid expanded family and medical leave at 2/3 their regular rate of pay if they are unable to work due to childcare not being available due to COVID-19.

Businesses with fewer than 50 employees may be eligible for an exemption from providing paid sick leave and expanded family and medical leave to its employees.

**Child Tax Credit.** The following expansions have been made to the Child Tax Credit (CTC) for 2021:

- Increases the maximum credit to \$3,000 a year per child ages 6-17, and \$3,600 per child under the age of 6.
- The CTC is now fully refundable.
- Allows families to receive up to 50% of the credit as an advance during the last half of 2021.

Please be aware that you could end up repaying some of the advanced CTC payment on the 2021 tax return. The repayment will occur if the advance payments result in an excess of the allowable CTC. This reconciliation will happen on the 2021 tax return. The IRS will provide a website to allow those who prefer to receive all of their CTC with their 2021 filing to opt-out of this advanced payment option.

**Earned Income Credit.** The COVID-19 Relief Package provided a special temporary rule allowing lower-income individuals to use their earned income from tax year 2019 to calculate the credit if it is more favorable when filing their 2020 tax returns. ARPA has extended this provision by allowing taxpayers to also use their earned income from tax year 2019 when filing their 2021 tax returns.

In addition, the minimum age for the Earned Income Credit has been changed to 19 years old (18 for qualified homeless or a former foster youth) and 24 if a student for at least 5 months of the year. The EIC was previously not allowed for those over 65. It now has no maximum age. Those without children may find themselves qualifying for EIC when they had not done so in the past due to an expansion for lower wage earners. Finally, individuals who have children without a Social Security number may now qualify for the childless EIC.

**Child and Dependent Care Credit.** ARPA has expanded the qualifying care expense limit to \$8,000 for one child, and \$16,000 for two or more, and makes up to 50% of the credit refundable. In addition, this Act has increased the amount that could be excluded from an employee's gross income under Employer Provided Dependent Care Assistance to \$10,500 (\$5,250 married filing separately).

**Student loans.** The CARES Act also provides financial relief for those with federal student loan debt. All loan and interest payments are deferred through Sept. 30, 2020, without penalty. If you made a payment between March 1 and Sept. 30, you can even request to have that payment refunded by contacting your loan servicer. The subsequent COVID-19 Relief Package extended this benefit to April 1, 2021. The ARPA now allows for an exclusion from gross income certain student loan forgiveness after December 31, 2020 and before January 1, 2026. However, please note that the Act does not include a provision to cancel student loans. Borrowers could be left waiting on Congress or an executive order to cancel student loans.

*Note: Because of changing legislation, it is possible that certain information in this document may become outdated. We are working to update our resources to reflect these updates, so be sure to check back soon.*

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