

American Rescue Plan Act of 2021 Provides \$1.9 Trillion Stimulus Package

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The American Rescue Plan Act of 2021 (ARPA), a \$1.9 trillion stimulus package destined for the history books, was enacted on March 11, 2021. Aimed at providing additional, much needed economic relief during the pandemic, ARPA includes many significant tax provisions in furtherance of that goal.

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Given ARPA's extensive scope and the fact that it was signed only hours ago, we will provide a more detailed analysis for our readers soon; however, for now, we would highlight the following: In tax year 2020, for taxpayers earning less than \$150,000 annually, the first \$10,200 of unemployment benefits are tax-free. ARPA codifies various recent refundable credits against payroll taxes—specifically those sick and family leave credits implemented via previous pandemic relief measures. Additionally, the Act ensures a waiver of penalties for failure to deposit employment taxes—provided that failure is the result of anticipation of the credit. ARPA creates new economic impact payments (EIPs) available to qualifying individuals. Brand new IRC §6428B addresses these EIPs. Especially noteworthy now: \$1,400 refundable tax credit to individuals (\$2,800 for joint filers) with AGI up to \$75,000; (or AGI up to \$112,500 for heads of household and AGI up to \$150,000 for married couples filing jointly).

An additional \$1,400 for each dependent (whether a child or a non-child). Like previous EIPs the credit is paid in advance using the most recent AGI in the IRS system (either 2020 or 2019). However IRC §32's Earned Income Credit is modified in various ways, including but not limited to: (1) special rules applicable to individuals with no children; (2) an increase to 15.3% for the phaseout amounts; (3) and an increased threshold for disqualifying investment income (from \$2,200 to \$10,000). ARPA expands the Child Tax Credit. The Employee Retention Credit (ERC), another COVID-19 relief measure enacted to allow eligible employers the ability to claim a credit for paying qualified employee wages is now codified and allowed against the Medicare tax. Furthermore, the ERC is extended through the end of 2021. ARPA provides that Economic Injury Disaster Loan (EIDL) grants from the SBA are excluded from gross income. Moreover, that exclusion will not precipitate any of the following: (1) a deduction denial; (2) a reduction of tax attributes; and (3) a basis increase denial. Again, a more detailed analysis of the significant tax developments will be forthcoming.