

American Rescue Plan Act - H.R. 1319 Summary of Title IX

Unemployment

As an extension of the CARES Act, weekly unemployment benefits have been extended through Sept. 6, 2021, with a weekly benefit amount at \$300. The first \$10,200 (\$20,400 if MFJ) of unemployment benefits for 2020 will be nontaxable for taxpayers with adjusted gross income of less than \$150,000. If adjusted gross income is \$150,000 or greater, the full \$10,200 or \$20,400 of unemployment compensation becomes taxable.

COBRA

Reduces premiums payable by providing premium assistance from April 1, 2021, through Sept. 30, 2021. Federal subsidy coverage for COBRA premiums increases to 100%. If required to notify a group health plan, failure to do so may result in \$250 penalty for each failure.

2021 recovery rebates for individuals

A 2021 advance recovery rebate or a third economic impact payment (EIP3) of \$1,400 (\$2,800 MFJ) will be issued to each eligible individual plus \$1,400 to each dependent (including adult dependents).

The payment will fully phase out when income reaches \$80,000 for single filers, \$120,000 for heads of household with one child, and \$160,000 for joint filers or surviving spouse.

An eligible individual is anyone except:

- Any nonresident alien individual
- Any individual who is a dependent of another taxpayer at the beginning of the calendar year
- An estate or trust

The recovery rebate credit is based on the 2019 or 2020 tax return and will be reconciled on the 2021 tax return.

For payments based on the 2019 return, the bill contains a provision that allows for an additional payment if the advance of the recovery rebate is greater based on the taxpayer's 2020 return.

Child tax credit

Special rules for 2021 include an expansion of the credit from \$2,000 to \$3,000 per eligible child under age 18 (\$3,600 per child under age 6). The fully refundable credit, with 50% of the credit issued as advance periodic payments starting in July, will be reconciled on the 2021 tax return. For 2021, the increased credit amount (additional \$1,000 or \$1,600 per-child in excess of the present-law \$2,000 per-child) begins to be phased-out at \$75,000 (\$150,000 for MFJ and SS and \$112,500 for head of household). Once the increased credit amount is reduced, the credit plateaus at \$2,000, and the phaseout begins at \$200,000 (\$400,000 for MFJ).

Earned income credit

For 2021, the minimum age to claim the EIC for taxpayers without children (childless EIC) generally is reduced from age 25 to age 19 (except full-time students). The maximum age limit of 65 for claiming the childless EIC has been eliminated. The credit and phaseout percentage increases from 7.65% to 15.3% for an individual with no qualifying children. Taxpayers may use their earned income from the 2019 tax year to determine their EIC for the 2021 tax year if the 2021 earned income was less than the 2019 earned income.

The disqualified investment income limit also increases from \$3,650 (2020) to \$10,000.

Dependent care assistance

For 2021, the credit is fully refundable and the dollar limit for eligible expenses increases from \$3,000 to \$8,000 for one eligible child, and from \$6,000 to \$16,000 for two or more eligible children. The maximum credit rate increased from 35% to 50% and the AGI limitation increases from \$15,000 to \$125,000. Taxpayers with an AGI of \$125,000 to \$400,000 will receive a partial credit.

The exclusion for employer-provided dependent care assistance increases from \$5,000 to \$10,500 (\$5,250 for MFS).

Paid sick and family leave credits

Extends the paid leave credits from April 1, 2021, through Sept. 30, 2021, for eligible employers providing sick or family leave that otherwise would be required if the *Families First Coronavirus Response Act* applied after March 31, 2021. Several new provisions also take effect after March 31, 2021. For example: allows paid leave credits to obtain COVID-19 vaccine, restarts the 10-day limit for qualified sick leave wages and increases the qualified family leave wages limit from \$10,000 to \$12,000 in total.

Employee retention credit

Extends the employee retention credit (ERC) through Dec. 31, 2021, for wages paid after June 30, 2021, and before Jan. 1, 2022. After June 30, 2021, the ERC offsets the employer's share of Medicare tax.

Premium tax credit

Reduces health care premiums for low- and middle-income families by increasing the *Affordable Care Act's* (ACA) premium tax credit (PTC) for 2021 and 2022. The affordability percentages to be used for the 2021 and 2022 tax years:

In the case of household income (expressed as a percent of poverty line) within the following income tier:	The initial premium percentage is —	The final premium percentage is —
Up to 150.0%	0.0	0.0
150.0% up to 200.0%	0.0	2.0
200.0% up to 250.0%	2.0	4.0
250.0% up to 300.0%	4.0	6.0
300.0% up to 400.0%	6.0	8.5
400.0% and higher	8.5	8.5

For 2020, no repayment is required for taxpayers receiving excess advance PTCs.

The bill also provides that if a taxpayer receives unemployment compensation (UC), they can use the rates as if their household income tier is 133% of the federal poverty line.

Modification of treatment of student loan forgiveness

Provides special rule for discharges in 2021 through 2025 that the discharge of student loans as cancellation of debt is not included in gross income. Student loan borrowers who made qualified student loan payments after March 13 could have those payments refunded if they notify their loan servicer. Tax refund and/or wage garnishment has been suspended through Sept. 30, 2021, for those who have defaulted on federal student loan debt.

Tax treatment of targeted Economic Injury Disaster Loan (EIDL) advances

Excludes amounts received under §331 of the *Economic Aid to Hard-Hit Small Business, Non-profits, and Venues Act* from gross income and treats them as tax exempt income for partnerships and S corporations. Allows deductions for expenses paid with targeted EIDL advances, does not reduce tax attributes and allows basis increases.

Tax treatment of restaurant revitalization grants

Excludes amounts received from the Small Business Administration (SBA) under §5003 from gross income and treats them as tax exempt income for partnerships and S corporations. Allows deductions for expenses paid with such amounts, does not reduce tax attributes and allows basis increases.

Modification of exceptions for reporting of third party network transactions (1099-K Reporting)

After 2021, the de minimis exception for reporting a transaction changes from \$20,000 to \$600. Clarifies that reportable transactions only include those for goods and services, which will apply to transactions after the enactment of this bill.