



LMHS, P.C.
Certified Public Accountants and Advisors

To: Our Clients and Friends
From: Your team at LMHS, P.C.
Date: March 17, 2021
Subject: Impact of the American Rescue Plan Act of 2021 on Individual Taxpayers

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (“ARPA”) into law, providing an additional estimated \$1.9 trillion in stimulus to aid in the COVID-19 pandemic. Below is a summary of the tax provisions of the ARPA that apply to individual taxpayers:

Recovery Rebate Checks. Another round of checks will be sent out to individual taxpayers. Up to \$1,400 per individual and \$2,800 for taxpayers married filing jointly (“MFJ”), plus \$1,400 for each qualifying dependent (includes full-time students younger than 24 and adult dependents). The payments will begin to phase out for individuals with an adjusted gross income of \$75,000 (\$150,000 MFJ) and will completely phase out for taxpayers with an adjusted gross income of at least \$80,000 (\$160,000 MFJ). These income amounts will be based on 2020 income tax filings, or if the taxpayer has not yet filed then the IRS will rely on 2019.

Changes to Certain Tax Credits. The ARPA increased the amount of the Earned Income Tax Credit for adults without children from \$543 to \$1,502, increased the Child Tax Credit maximum amount to \$3,000 per child and \$3,600 for children under age 6 and temporarily increased the value of the Dependent Care Tax Credit up to \$3,000 for one dependent and \$6,000 for two or more dependents for 2021. The ARPA also takes steps that loosens the eligibility requirements for these credits and makes them refundable.

Excess Business Losses Limitation. The excess business loss limitation is extended through December 31, 2026 (it was previously set to sunset in 2025).

Unemployment Benefits. For households with an adjusted gross income of less than \$150,000 (for both single and married taxpayers), the first \$10,200 of 2020 unemployment benefits are not subject to federal income tax. This benefit is not a phase-out, so if your household makes \$150,000 or more the exclusion does not apply. If you are a taxpayer who received unemployment benefits in 2020 and have already filed your 2020 tax return, we expect additional guidance in the coming months regarding how to take advantage of this.

Student Loans. Any discharge of student loan debt between December 2020 and January 2026 will not result in discharge of indebtedness income to the borrower.

If you have questions specific to how ARPA will impact you, please reach out to your tax advisors at LMHS, P.C. We are here to continue to help our clients navigate through these difficult times.