



# THE FINANCIAL ADVISORS LLC

March 12, 2021  
Michael A. Dempsey, CFP®, EA

Financial Planning & Investment Management

## American Rescue Plan Act of 2021

This summary of the tax provisions in the American Rescue Plan Act of 2021 is for general information only. Many implementation details and clarifications need to be provided by the IRS, state tax agencies, and related organizations.

### 2020 tax items

- Advance Premium Tax Credit (APTC) repayment holiday: If you receive health insurance through an ACA exchange, then there is no repayment of the premiums in 2020 if your premiums were paid in excess of what your income allows.
- Unemployment Compensation: \$10,200 of unemployment compensation received per taxpayer is excluded from adjusted gross income. This applies for filers with adjusted gross income < \$150,000 for any filing status before subtracting the unemployment. Joint filers: up to \$10,200 for each spouse who received unemployment compensation.

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## 2021 tax items

- Economic Impact Payment (EIP) #3
  - \$1,400 for each taxpayer and spouse
  - \$1,400 for each dependent of any age
  - Phase-out ranges:
    - Single: \$75,000 - \$80,000
    - Head of Household: \$112,500 - \$120,000
    - Married Filing Jointly: \$150,000 - \$160,000
  
- Unemployment benefits:

Federal benefits of \$300/week are extended for 25 more weeks through 09/06/2021.
  
- Child and Dependent Care tax credit (2021 only) - children under 13
  - \$4,000 for one child (up from \$3,000)
  - \$8,000 for two+ children (up from \$6,000)
  - Employer dependent care flex spending account: \$10,500 allowed (up from \$5,000)
  - The credit is based on up to 50% of eligible expenses (up from 20% - 35%) up to \$125,000 household income with a gradual phase down

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- Child Tax Credit (2021 only)
  - Age 0-5: \$3,600 per child (up from \$2,000)
  - Age 6-17: \$3,000 per child (up from \$2,000)
  - Fully refundable - you get it even if your income tax is \$0.
  - There is a provision for advance payments to be paid for July-Dec.
  - Gradual phase-out starting at:
    - Single: \$75,000
    - Head of Household: \$112,500
    - Married Filing Jointly: \$150,000

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