



News You Can Use

Alert: American Rescue Plan Act

On Thursday, March 11, 2021, the President signed into law the American Rescue Plan Act of 2021 (ARPA), aimed at addressing the continued impact of the COVID-19 pandemic. This \$1.9 trillion package includes numerous tax provisions.

Please see below for a brief overview of these tax provisions.

Stimulus Payments

\$1,400 for single filers, \$2,800 for married couples, additional \$1,400 per dependent.

Adjusted Gross Income (AGI) Phaseouts:

- Single Taxpayer: between \$75,000 and \$80,000
- Filing Jointly: between \$150,000 and \$160,000
- Head of Household: \$112,500 and \$120,000

[Check the status of your payment here.](#)

Restaurant Revitalization Grants

\$28.6 billion has been allocated for these grants, \$5B aimed at restaurants with 2019 gross receipts of less than \$500,000. Funds are to be used to cover payroll, mortgage, rent, utilities, maintenance, operational costs, paid sick leave and supplies.

The first 21 days of the program will prioritize small businesses owned by veterans, women, and socially/economically disadvantaged individuals. Grant funds will not be taxable and the covered expenditures will be deductible.

Unemployment Benefits

For taxpayers with annual income of less than \$150,000, the first \$10,200 of 2020 unemployment compensation is tax-free. For married couples filing jointly, the \$10,200 applies to each spouse.

If you already filed your 2020 taxes and paid on unemployment benefits, you can either file an amended return or forego the refund. Be aware that this change may cause a delay in the filing of impacted 2020 tax returns.

COBRA Health Coverage

Premium payment assistance extended to Sept. 30, 2021. Employers providing coverage and premium payments may be eligible for a corresponding tax credit against employers' share of Medicare tax.

ACA Subsidies

The ARPA will increase subsidies at every level and current premium costs will be capped at 8.5% of individual household income. This change is retroactive to Jan. 1, 2021 and current ACA enrollees can claim an extra subsidy.

FFRCA Paid Sick & Family Leave Credits

The Families First Coronavirus Response Act paid sick and paid family leave credits for employers are extended through Sept. 30, 2021. Wages covered by Family Leave credits are increased from \$10,000 to \$12,000 per worker.

Child and Dependent Care Tax Credit 2021 Only

Now refundable, the credit is worth up to \$4,000 for one qualifying individual and \$8,000 for two or more (subject to reduction based on AGI). The full value of the credit is available to households with AGI of \$125,000 or less.

Dependent Care FSAs 2021 Only

The maximum contribution to a Dependent Care Reimbursement Account is increased from from \$5,000 to \$10,500 (\$2,500 to \$5,350 for married filing separately).

Plans must still ensure that no more than 55% of all dollars in their DCRA's benefit highly compensated workers (individuals earning \$125,000/year or more).

Child Tax Credit 2021 Only

Now fully refundable, the credit is increased to \$3,600 for children under 6 years and \$3,000 for children ages 6-17. Fifty percent of the credit is provided as an advanced payment.

The full value of the credit is available to:

- Married couples filing jointly with an AGI of \$150,000 or less
- Surviving spouse: AGI of \$150,000 or less
- Head of household: AGI of \$112,500 or less
- All other cases: AGI of \$75,000 or less

The IRS is developing a system to provide monthly cash advances, worth 1/12th of the estimated child tax credit, to taxpayers starting in July.

Employee Retention Credit

The ERC is extended through December 31, 2021. Certain previously ineligible start-ups are now able to claim up to \$50,000 per quarter for Q3 and Q4 of 2021.

Severely distressed employers (90% reduction in gross receipts) are now able to include all wages paid to employees as qualified ERC wages. This only applies to Q3 and Q4 of 2021.

Targeted Emergency Economic Injury Disaster Loans

EDIL amounts are not included in gross income calculations for tax purposes.

Extension of Limitation on Excess Business Losses for Non-Corporate Taxpayers (IRC Sec. 461(l))

The application of this loss limitation rule is extended one year to 2026.

Limitation on Excessive Employee Remuneration (IRC Sec. 162(m))

Effective for taxable years beginning after Dec. 31, 2026, the \$1 million limit on the amount of deductible compensation that a company can pay to its CEO, CFO and the other three most highly paid executives is extended to the next five highest compensated executives.

Repeal of Election To Allocate Interest Expense on Worldwide Basis (IRC Sec. 864(f))

Effective for taxable years beginning after December 31, 2020. This provision, the extension of the limitation on excess business losses for non-corporate taxpayers and the limitation on excessive employee remuneration, is repealed in ARPA to comply with the rules mandated by the budget “reconciliation” process.

Suttle & Stalaker remains committed to helping you and your business navigate the effects of the COVID-19 pandemic and resulting legislation. If you have questions about these, or any other tax provisions please contact your S&S representative.

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