

TAX PROVISIONS

**2021 Recovery Rebates for Individuals**

- Eligible taxpayers making up to \$75,000 in adjusted gross income (AGI) (or \$150,000 AGI for married couples), will receive a \$1,400 refundable tax credit. Couples filing jointly will receive a \$2,800 credit
  - The credit will be phased out entirely for individuals making more than \$80,000 (or \$160,000 for married couples). The credit is reduced for those making between \$75,000 and \$80,000
- An additional \$1,400 is provided for both children and non-child dependents.
- The refundable credits will be paid out in advance like the Economic Impact Payments

**Child Tax Credit**

- The Child Tax Credit (CTC) is increased to \$3,000 per child, and \$3,600 for children age six and younger. Children are defined as under 18 years of age
  - The additional \$1,000 credit amount for 2021 is phased out for joint filers with a modified adjusted gross income of \$150,000 or more
- The CTC is fully refundable and taxpayers can now generate a refund in excess of their income tax liability
  - For those with refunds, the IRS will make periodic advanced payments, based on 2019 or 2020 tax return information. These payments will comprise half of the child tax credit for which the taxpayer is entitled. The remaining half will be claimed on the taxpayers 2021 tax return
- The IRS has been directed to establish an online portal to allow taxpayers to opt out of receiving advanced payments and provide changes in information that is applicable to their eligibility

**Earned Income Tax Credit**

- The American Recovery Plan expands the eligibility of the Earned Income Tax Credit to taxpayers without dependents, reducing the minimum age to 19 years old and increasing the upper age limit to include taxpayers over 64 years old
  - Additional special provisions are included
- The bill increases the maximum credit amount for taxpayers without dependents

**Student Loan**

Student loan forgiveness is exempt from 2021-2025 federal income tax

## Premium Tax Credit

- Higher-income earners who currently do not qualify for coverage through the Affordable Care Act (ACA) can now earn subsidies for coverage. Households making above 400% of the federal poverty level will be eligible for a premium cap of 8.5%
  - Taxpayers will no longer be required to pay back excess advanced premium tax credits to the IRS for the 2020 tax year
- For 2021, unemployment insurance benefits are not included in the calculation for eligibility for Premium Tax Credits, if the taxpayer's income was 133% or less of the federal poverty level