

CONSOLIDATED APPROPRIATIONS ACT 2021

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THE ACT SIGNED INTO LAW ON DECEMBER 27, 2020 WAS A \$908 BILLION COVID EMERGENCY ECONOMIC RELIEF PACKAGE THAT IS INTENDED TO ASSIST INDIVIDUALS AND BUSINESSES DURING THE ONGOING CORONAVIRUS PANDEMIC AND ACCOMPANYING ECONOMIC CRISIS.

The package covers six key areas of support:

- Unemployment Provisions
- Recovery Rebates
- Business Relief
- Rent Relief
- Charitable Giving
- Other Tax Provisions

Major relief provisions are summarized in this document.

UNEMPLOYMENT PROVISIONS

The act provides an extension to expanded unemployment benefit assistance at a lower amount than the previous CARES Act benefit. This amount is now an additional \$300 weekly benefit for unemployment claims for the period through March 14, 2021.

- It includes an additional 11-week extension of unemployment benefits to individuals who exhaust their state unemployment benefits
- This 11-week extension also covers independent contractors and part-time workers
- This federal program also eliminates state's one-week delays in providing benefits; as a result, it allows individuals to receive a maximum of 50 weeks of benefits through the pandemic period



For Current and Prospective Clients.

RECOVERY REBATES

Most individuals will receive another direct payment from the federal government which represents a modest lift for 60% of individuals who suffered from financial woes during the pandemic. This payment is technically a 2020 refundable income tax credit and the amount will be calculated based upon 2019 tax returns filed.

The payment will be sent automatically via check or direct deposit to qualifying individuals. The amount of the recovery rebate is \$600 (\$1,200 if married filing a joint return) plus \$600 for each qualifying child under age 17. Recovery rebates are phased out for those with an adjusted gross income (AGI) exceeding \$75,000 (\$150,000 if married filing a joint return, \$112,500 for those filing as head of household). For those with AGIs exceeding the threshold amount, the allowable rebate is reduced by \$5 for every \$100 in income over the threshold.

One change to note with the qualifying individuals requirement: **Child dependents who are 17 years old and adults who are claimed as dependents on another person's tax return do not qualify for the rebate.**

Individuals can check the status of their rebate by going to the IRS website "Get My Payment," which is up and operating.

SMALL BUSINESS RELIEF

The Act designates \$325 billion toward support for small businesses, including \$284 billion for additional Paycheck Protection Program (PPP) loans and \$20 billion for Economic Injury Disaster Loans (EIDL) and grants. In addition, \$15 billion is dedicated to shuttered live venues (concert arenas and other locations), independent movie theaters and cultural institutions, and \$12 billion will be set aside for businesses in low-income and minority communities. Lastly, the Act contains provisions for a simplified forgiveness process for PPP loans of \$150,000 or less and allows expenses paid with PPP funds to be deductible for tax purposes.

RENT RELIEF

- The Act allocates funds to state and local governments to provide emergency rental assistance through December 31, 2021.
- The Act extends an eviction moratorium originally issued by the Centers for Disease Control and Prevention, but this period is only through January 31, 2021.

CHARITABLE GIVING

In keeping with the CARES Act of 2020, enhancements to the normal charitable gifts deduction rules in 2020 have been extended through 2021.

- For those who itemize deductions, the limit on the charitable gifts deduction has been increased to 100% of AGI for direct cash gifts to public charities.
- For those who don't itemize, a \$300 (increased to \$600 in 2021 for joint returns) charitable deduction for direct cash gifts to public charities is available (in addition to the standard deduction).

OTHER TAX PROVISIONS

The other major tax provisions are listed below:

Medical Expenses

The floor for deducting medical expenses has been permanently lowered to 7.5% of AGI. It was originally scheduled to increase to 10% in 2021.

Deduction on Qualified Tuition—Beginning in 2021, the deduction for qualified tuition and related expenses has been repealed. To make up for this change, the modified adjusted gross income (MAGI) phase-out range for the Lifetime Learning Credit has been increased to be the same as the phase-out range for the American Opportunity Tax Credit.

Extension of various tax provisions

- Exclusion from gross income of discharge of qualified principal residence indebtedness
- Employer credit for paid family and medical leave
- Exclusion from income for certain employer payments of student loans
- Treatment of mortgage insurance premiums as qualified residence interest for purposes of the interest deduction
- Energy efficient home credit

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