



STIMULUS 2.0 – CONSOLIDATED APPROPRIATIONS ACT OF 2021

(Updated: As of January 11, 2021)

The recently passed *\$900B Coronavirus Relief Bill* has a number of items affecting individuals, families, and businesses. It represents one of the largest recovery legislations in U.S. history, second only to the recent CARES Act passed in March. We have reviewed the Consolidated Appropriations Act of 2021, which provides Federal government funding through September 2021, and extends and amends various tax provisions and addresses several other financial planning issues. Here is a summary of the key elements of the law.

Individual Relief Programs:

Additional Recovery Checks to Taxpayers

- A second round of direct payments will be made for most via electronic transfer or check. Payment status can be checked at <https://www.irs.gov/coronavirus/get-my-payment>
- Direct payments would be \$600 per individual and qualified child (note there is no cap per household in this round). Note there has been discussion in Congress to increase this amount even more.
- Payments will be advanced tax credits based on 2019 returns (or provided as a credit based on your 2020 income if your 2019 income is too high).
- Phase-out of benefits start at \$75,000 for single filers and \$150,000 for joint filers.
- Phase-outs will reduce the credit by \$5 per \$100 over the adjusted gross income limit.

Extension of Unemployment Insurance Compensation Benefits

- Provide an additional \$300 per week supplement to State Unemployment Insurance, and extends these supplemental benefits for 11-weeks through March 14th.

Child Tax Credit (CTC) & Earned Income Tax Credit (EITC)

- For taxpayers whose income was lower in 2020, and where this lower income may disqualify them for the child tax or earned income credits, 2019 income can be used to determine credit eligibility for the 2020 tax year.

Charitable Contribution Benefits Modified

- The CARES Act established the ability to take charitable deductions even when the taxpayer does not itemize (takes the standard deduction). Joint filers can deduct up to \$600, and single filers can deduct up to \$300 against your income.
- This provision has been extended through 2021.

Other Notable Changes

- The hurdle rate for the deduction of medical expenses is now lowered from 10% of adjusted gross income to only 7.5 percent.
- Flexible spending account funds that were unused can now be carried forward to be used in the next year, up to \$550 for the first 2 ½ months. Alternatively, the unused balance can be rolled to the following year.

Small Business Owner Programs:

Paycheck Protection Program (PPP)

- Additional funding of \$284 billion has been allocated to the Paycheck Protection Program for first-time borrowers in the program, as well as second-time borrowers.
- Second-time loans are limited to businesses with fewer than 300 employees and that have seen at least a 25% drop in gross revenue in a 2020 quarter compared to the same quarter's revenue in 2019. Alternatively, an election can be made to compare the prior quarter to the current quarter.
- Loans up to a maximum of \$2 million for qualifying expenses. These expenses have been expanded to include payroll, healthcare, rent, utilities, property damage, supplier costs, and worker protection.
- One significant change from the original program is that all business expenses paid for with PPP funds are now deductible. Previously expenses paid for with PPP funds were ineligible for deduction.

Employee Retention Credit

- For 2020, the Appropriations Act eliminates the rule that prevented businesses from receiving both the PPP and Employee Retention Credit. Businesses can now, retroactively, benefit from both for 2020.



- Small businesses that qualify now must have under 500 employees (increased from 100), and have quarterly year-over-year revenue decline of “just” 20% (it was previously 50%).
- For 2021 only, the amount of wages per employee eligible for a credit has increased to \$10,000 per quarter. In addition, the credit rate has increased to 70%. Accordingly, businesses that qualify can now receive \$10,000 x 70% per employee per quarter, or \$7,000 per employee per quarter!

Deduction for Business Meals

- The business meals deduction was resurrected and will receive 100% deductibility in 2021 and 2022 (compared to the previous limit of 50%).

What’s Not Included:

- Notably, there is no waiver of future required minimum distributions from retirement accounts. Therefore, RMDs will need to be taken in 2021.
- The CARES Act suspended collection on defaults of student loans and set the interest rate to 0% through September of 2020. This new act does not further extend that relief.

The team at Landmark Wealth Management is available should you have any questions on the above information. Please do not hesitate to reach out.