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American Rescue Plan Act of 2021

Today, March 11, President Biden signed the American Rescue Plan Act of 2021 (“Act”). The Act includes a number of tax provisions including a third round of direct stimulus payments, enhancements of personal credits and extensions of payroll tax credits. Following is a summary of some of the important tax provisions:

- Extension of the limitation on excess business losses of noncorporate taxpayers for one year, through 2027.
 - Similar to the PPP loans, Targeted Economic Injury Disaster Loans (EIDL) and Restaurant Revitalization Grants received from the Small Business Administration will not be subject to income tax and the exclusion will not result in the denial of a deduction, reduction of tax attributes, or denial of increase in basis.
 - Direct stimulus payment of \$1,400 for those taxpayers whose adjusted gross income is less than \$75,000 (\$112,500 for heads of household and \$150,000 for joint filers). Adjusted gross income amounts for the 2020 tax year are to be used in determining eligibility but 2019 amounts will be used in lieu of 2020 amounts for taxpayers who have not filed 2020 returns at the time the payments are made.
 - Increase in the child tax credit from \$2,000 to \$3,000 per child (\$3,600 for a child under the age of six). The Act also makes the child tax credit fully refundable.
 - For 2021 only, the amount of the child and dependent care credit is increased to 50% of qualified expenses up to \$8,000 for one individual and \$16,000 for two or more individuals.
 - The enhanced weekly unemployment of \$300 set to expire this month will be extended through September 6, 2021. In addition, the first \$10,200 of unemployment received in 2020 will be exempt from federal income tax for households with up to \$150,000 of income.
 - The period for which an employer can claim the paid sick and family leave credits has been extended to September 30, 2021. The amount of wages for which the credit can be claimed has been increased to \$12,000 from \$10,000 effective after March 1, 2021.
 - The employee retention tax credit has been extended through the end of 2021.
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