



The American Rescue Plan Act of 2021



On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into law to help address the impact of the coronavirus pandemic. This white paper covers the major features for both businesses and individuals of the \$1.9 trillion plan.

Direct Stimulus Payments

The American Rescue Plan Act provides for direct payments of \$1,400 per eligible recipient. The amount of the payment is based on the adjusted gross income reported on the most recent tax return filed, either for 2019 or 2020. Individual taxpayers with an AGI of \$75,000 or less will receive the full \$1,400 per eligible recipient. The check amount is then phased out between \$75,000 and \$80,000 of AGI. Taxpayers married filing jointly with an AGI of \$150,000 or less will receive the full \$1,400 per eligible recipient. The check amount is then phased out between \$150,000 and \$160,000 of AGI.

Child Tax Credit

The Child Tax Credit has been increased from \$2,000 to \$3,600 for children under 6 years old and from \$2,000 to \$3,000 for children 6 to 17 years old. The amount of the credit is based on your 2020 adjusted gross income and begins to phase out at \$75,000 for individuals and \$150,000 for married filing jointly. For each \$1,000 of AGI above those limits, the credit gets reduced by \$50 until it drops to \$2,000. Then, the remaining \$2,000 gets phased out at \$200,000 of AGI for individuals and \$400,000 for married filing jointly under the same calculation - a \$50 reduction for each \$1,000 in excess AGI.

The Child Tax Credit is fully refundable, meaning that if your tax bill drops to \$0, you can get the remaining money as a refund after filing your 2021 tax return. But you won't have to wait until you file your 2021 tax return because the bill enables qualified recipients to receive half of the credit in the form of direct cash payments from July through December of 2021. The other half of the tax credit can then be used on your 2021 tax return.

The direct cash payments for the credit will not be automatic - you may need to opt-in. The tax credit amount will be based on the adjusted gross income of your most recent tax return and then reconciled on your tax return for 2021. If reconciliation shows that you received more in tax credit payments than you ultimately qualified for, then you will be responsible for making up the difference.



Child and Dependent Tax Credit

If you paid expenses for the care of a dependent child under the age of 13 or another qualified individual, then you may qualify for the Child and Dependent Care Tax Credit. The credit amount has been increased from \$2,100 for two or more eligible children in 2020 to \$8,000 in 2021. Like the Child Tax Credit, the Child and Dependent Care Tax Credit is fully refundable.

Unemployment Benefits

The bill provides for \$300 in additional weekly unemployment benefits through September 6, 2021. Further, the bill deems that the first \$10,200 of unemployment income received in 2020 will be tax-free for those with an adjusted gross income less than \$150,000.

Employee Retention Tax Credit

The Employee Retention Tax Credit has been extended from June 30 to December 31, 2021. Businesses with up to 500 employees that meet the shutdown rule or experience a decrease in gross receipts for a quarter in 2021 of 20% or more as compared to the same quarter in 2019 are eligible. If a business does not meet the gross receipts test for any given quarter, then it can compare the gross receipts to the preceding quarter. The tax credit is 70% of qualified wages which are capped at \$10,000 per employee per quarter. For example, if an employee were paid \$10,000 in a single qualifying quarter in 2021, the resulting credit would be \$7,000 for that quarter.

The Act includes a provision allowing companies started after February 15, 2020 to be eligible for the employee retention credit, up to a maximum credit of \$50,000 per quarter. Specific revenue requirements do apply for these types of businesses.

The Act goes on to further help severely distressed larger businesses. If your business has more than 500 employees and experiences a decrease in gross receipts for a quarter in 2021 of 90% or more as compared to the same quarter in 2019, it is considered a “severely distressed employer” and is eligible for the Employee Retention Tax Credit.



Paid Sick and Family Leave

In 2020, the Families First Coronavirus Response Act required many employers to provide paid sick and family leave to employees who were affected by COVID-19. To help cover these costs, the FFCRA offered tax credits to employers to cover 100 percent of the paid sick or family leave wages paid to employees, up to certain limits. Although the FFCRA expired on December 31, 2020, the recent Consolidated Appropriations Act extended the tax credit until March 31, 2021. Now, the American Rescue Plan Act of 2021 extends it through September 30, 2021, with some additional benefits starting on April 1, 2021.

The Act increased the amount for qualified wages from \$10,000 to \$12,000 per employee and expanded the eligible reasons for taking leave. The Act also restarts the clock on March 31, 2021, for the 10 days of paid sick leave. This means that an employee who exhausted their 10-Day Paid Sick Leave in 2020 or Q1 of 2021, will be eligible for an additional 10 days starting on April 1, 2021.

If you are self-employed, the Act increased the number of qualified paid sick leave days from 50 to 60 for the time between April 1 and September 30, 2021. The Act also restarted the clock retroactively to January 1, 2021.

Restaurant Revitalization Fund

The American Rescue Plan Act includes \$28.6 billion in tax-free grants for small and mid-sized restaurants. The grants are meant to make up for the loss of revenue experienced by a restaurant, net of any PPP loan. The grants must be spent on specific types of expenses incurred between February 15 and December 31, 2021.



Paycheck Protection Program

The American Rescue Plan Act does provide an additional \$7.25 billion to the Paycheck Protection program, but does not extend the March 31 deadline for applications. It does however expand PPP eligibility for nonprofit organizations and certain internet publishing organizations.

Shuttered Venue Operators Grant

The Shuttered Venue Operators Grant program, signed into law in December 2020, included \$15 billion in grants to shuttered venues. The amount of the grant is equal to 45% of a venue's gross earned revenue, up to a total award of \$10 million. Grants were not available to businesses that received a PPP loan; however, the American Rescue Plan Act enables PPP borrowers to be eligible for the grant, but the grant amount must be reduced by any PPP proceeds received after December 27, 2020.



Final Thoughts

The purpose of this document is to provide a general overview of certain provisions in the American Rescue Act, 2021 and is not a substitute for discussing the Act with one of our advisors. Please feel free to contact our office if you have any questions or to discuss how the Act may impact you and your business.



About Larson Gross

Ted Larson and Dennis Gross founded our firm in 1949. They built the business based on excellence, passion, integrity, trust and pro-action — values still important to us more than seven decades later.

Even well into their retirement years, Ted Larson and Dennis Gross continued to have the best interest of the firm at heart. Mr. Larson would come into the office on a regular basis to meet every new face and make a personal connection with each of our team members. He remembered the name of every employee, as well as the names of their spouses and children, and would greet clients by name as he passed by the reception desk. Sometimes, you'd even find a newspaper clipping on your desk that Mr. Larson dropped off, highlighting that your son made the honor roll. This is the example of a genuine relationship we strive to embody with our people and clients.

Today, we're led by ten partners who are growing our firm with respect for where we've come from and a new vision for future success. Our 120-plus team members and three offices located in Bellingham, Lynden and Burlington make us the 10th largest public accounting firm in the Puget Sound region. While we're determined to expand our impact and help strengthen as many businesses and individuals as we can, we're also committed to remaining a locally-owned organization. We're incredibly proud of where we've come from and look forward to a future of possibility



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