

# ARPA Summary

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On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 ("ARPA"). The ARPA provides an estimated \$1.9 trillion in stimulus to aid in the COVID-19 pandemic. Below is a summary of the tax provisions of the ARPA:

## ***Individual Provisions***

### **Recovery Rebate Checks.**

Recovery rebate checks of up to \$1,400 (\$2,800 for taxpayers married filing jointly), plus \$1,400 for each qualifying dependent (which includes full-time students younger than 24 and adult dependents). The payments will begin to phase out for individuals with an adjusted gross income of \$75,000 (\$150,000 for couples) and will completely phase out for taxpayers with an adjusted gross income of \$80,000 (\$160,000 for couples) or more.

If a taxpayer has filed their 2020 tax returns, the recovery rebate checks will be based on the information in their 2020 tax return. If a taxpayer has not filed their 2020 tax return, the IRS will use information from the taxpayer's 2019 tax return. This means that taxpayers at or near the above thresholds should time the filing of their 2020 tax return accordingly.

### **Changes to Certain Tax Credits.**

The ARPA increases the amount of the Earned Income Tax Credit for adults without children from \$543 to \$1,502, increases the Child Tax Credit maximum amount to \$3,000 per child and \$3,600 for children under age 6 and temporarily increasing the value of the Dependent Care Tax Credit up to \$3,000 for one dependent and \$6,000 for two or more dependents. The ARPA also take steps that loosens the eligibility requirements for these credits and also makes them refundable.

### **Excess Business Losses Limitation.**

The excess business loss limitation was extended through December 31, 2026 (it was previously set

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to sunset in 2025).

### **Unemployment Benefits.**

For households with an adjusted gross income of less than \$150,000 (for both single and married taxpayers), the first \$10,200 of 2020 unemployment benefits are not subject to federal income tax. This means that if a taxpayer received unemployment benefits in 2020 and have already filed their 2020 tax return, they may want to consider filing an amended return.

### **Student Loans.**

Any discharge of student loan debt between December 2020 and January 2026 will not result in discharge of indebtedness income to the borrower.

### **Premium Tax Credit.**

ARPA provides for an expansion of the Premium Tax Credit under Section 36B for the 2021 and 2022 tax year.

## ***Business Provisions***

**Employee Retention Credit.** The ARPA extends the employee retention credit created by the CARES Act through Dec. 31, 2021. In addition, the ARPA also expands eligibility to new startups that were established by February 15, 2020, and also for severely financially distressed employers whose gross receipts are less than 10% of what they were in the same calendar quarter for 2019. The credit is capped at \$50,000 per calendar quarter for startups.

### **FFCRA Paid Leave Credits.**

The ARPA also extends tax credits for employer-provided paid sick leave created under the FFCRA through September 30, 2021. This also increases the wages covered by the paid family leave credit to \$12,000 per worker (up from \$10,000), cover as many as 60 days of paid family leave for self-employed individuals (up from 50 days) and prevents employers from receiving credits if their paid leave favors highly compensated employees, full-time workers, or employees based on tenure.

### **Executive Compensation.**

Currently, publicly traded companies cannot take a deduction for executive compensation in excess of \$1 million pursuant to Section 162(m). This limitation applies to the employers CEO, CFO and the company's next three highest compensated officers. Starting in 2027, the limitation will apply to the CEO, CFO and the company's next eight highest compensated employees (i.e. an increase of five employees).

### **PPP Expansion.**

The ARPA provides additional funding for the Paycheck Protection Program and generally expands eligibility to more types of businesses.

### **EIDL Loan Program.**

Additional funding will also be targeted for Economic Injury Disaster Loan advances. Specifically, one-third of the new funding is dedicated businesses that suffered more than a 50% revenue loss and employs less than 10 people. These EIDL grants received from the Small Business Administration are generally excluded from gross income.

### **Restaurant Revitalization Fund.**

The Restaurant Revitalization Fund will provide grants to restaurants, food trucks, bars, caterers and other similar places where people assemble to be served food and drink. Eligibility for the grants is largely based on the size of the restaurant. Publicly traded companies, government operated businesses and restaurants with over 20 locations will be ineligible. These grants may be used to cover all types of business-related expenses, including payroll, rent, maintenance, supplies and other crucial costs. Importantly, any grants received from the Restaurant Revitalization Fund will not be treated as taxable income.

### **Worldwide Interest Allocation.**

ARPA repeals the Section 864(f) election for U.S. affiliated groups to allocate interest expense on a worldwide basis.

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