

## It's been a Busy Week on the Hill

**\*Get your Individual Tax Documents to us no later than March 18, 2021 to meet the tax deadline which is still April 15<sup>th</sup>, 2021.**

### **The American Rescue Plan Act of 2021 (ARPA) as it relates to Individuals**

President Biden signed the new bill Friday, March 11, 2021. See below for a few highlights:

#### **Unemployment Received in 2020 Partially Excluded from Income for Some Taxpayers**

An individual's gross income normally includes unemployment compensation. Under ARPA, beginning in tax year 2020, if the Adjusted Gross Income of the taxpayer is less than \$150,000, the gross income **does not include** the unemployment compensation received, up to \$10,200 for each individual.

#### **2021 Individual Recovery Rebate/Credit**

Under ARPA, an eligible individual is allowed an income tax credit for 2021 equal to the sum of \$1,400 for each individual plus \$1,400 for each dependent of the taxpayer. Keep in mind the amount of the credit is ratably reduced for taxpayers with Adjusted Gross Income of over

- \$150,000 for a joint return;
- \$112,500 for head of household; and
- \$75,000 for all other taxpayers.
- You will not get any payment at all if your AGI is above \$80,000 (singles), \$120,000 (head-of-household), or \$160,000 (joint filers).

### **New SBA Guidelines and American Rescue Plan Act of 2021 (ARPA) as it relates to Businesses**

#### **Extension of deadline to qualify for the Employment Retention Credit**

This credit allows employers to recover between 50-70% of wages paid, up to a maximum of \$5,000 for qualified wages paid in 2020, and \$7,000 per employee, per quarter for qualified wages paid in 2021. For example, if you have a company that has 5 eligible employees both in 2020 as well as in Quarter 1 of 2021, you could receive up to \$25,000 in tax credits paid in 2020 and another \$35,000 for wages paid in 2021!

The Credit can be used to offset the employer's share of Social Security taxes on wages paid to an employee. You can apply for the credit even if you received a PPP loan as long as the wages used to calculate ERC were not also wages used in applying for PPP forgiveness (you cannot double dip).

The **deadline** for ERC tax credits extends through December 31, 2021.

For 2020, a company **must** meet one of the following to qualify:

- Gross receipts for any 2020 quarter dropped below 50% of the comparable quarter in 2019: or
- Suspended operations due to COVID-19 related governmental order

For 2021, a company must meet one of the following IF less than 500 employees:

- Gross receipts for any 2021 quarter dropped below 80% of the comparable quarter in 2019: or
- Suspended operations due to a COVID-19 related governmental order

### **New SBA Guidelines for PPP2 and Self-Employed Individuals**

The U.S. Small Business Administration (SBA) issued new Paycheck Protection Program (PPP) rules that allow self-employed individuals who file Form 1040, **Schedule C, Profit or Loss From Business**, to calculate their maximum loan amount using **gross income instead of net profit**.

The change opens the door for larger loans to self-employed individuals, many of whom do not record much, if any, net profit on their Schedule C. If you have already applied for PPP2 with the old guidelines, you cannot change your application.

*We know you will have questions regarding these new tax law changes and are here to help you. If you think you may qualify for the ERC and would like our assistance, do not hesitate to reach out. For our Monthly Accounting Clients, we will be looking at your quarterly revenues and consider your business operations and then get back to you if we think you might qualify for these credits. Please call us with your questions.*