

CORONAVIRUS AND YOUR MONEY

6 Biden Stimulus Benefits That Pack the Biggest Punch

From stimulus checks to enhanced unemployment benefits, these perks from the American Rescue Plan will provide significant financial relief to millions of Americans.



The American Rescue Plan Act – the massive, \$1.9 trillion economic stimulus package that President Biden signed on March 11 – sends a lot of money in many different directions. Almost every American will be impacted in one way or another. But when it comes to providing significant financial relief directly to Americans suffering the most through the COVID-19 pandemic, a lot of the American Rescue Plan's provisions really don't provide a lot of bang for the buck. In other words, they won't necessarily make an immediate and meaningful impact on the financial health of Americans who need help the most.

However, there are a handful of provisions in the new stimulus law that go above and beyond when it comes to putting (or keeping) substantial amounts of money in the pockets of millions of Americans who are struggling financially right now. **These six American Rescue Plan provisions will provide the most financial relief for the greatest number of people.** As outlined below, most of them involve some sort of tax break, a couple of them provide direct payments, but all of them provide (or could provide) financial assistance that is both deep and wide.

\$1,400 Stimulus Checks

The American Rescue Plan authorizes a third round of \$1,400 stimulus checks for each eligible person (\$2,800 for couples), plus an additional \$1,400 for each dependent (regardless of the dependent's age). However, as with the first- and second-round payments, the third-round stimulus checks will be reduced – or eliminated – for people with an income above a certain amount.

If you filed your most recent tax return as a single filer, your third stimulus check will start to be "phased-out" (i.e., reduced) if your adjusted gross income (AGI) is \$75,000 or more. That threshold jumps to \$112,500 for head-of-household filers, and to \$150,000 for married couples filing a joint return. Third-round stimulus checks will be completely phased out for single filers with an AGI above \$80,000, head-of-household filers with an AGI over \$120,000, and joint filers with an AGI exceeding \$160,000. Use our Third Stimulus Check Calculator to estimate the amount of your stimulus payment.

Nonresident aliens and anyone who can be claimed as a dependent on someone else's tax return do not qualify for a stimulus check.

Eligible Americans who don't receive a third stimulus check, or don't receive the full amount, can claim the difference as a Recovery Rebate credit when they file their 2021 tax return next year.

Unemployment Benefits

Last March, the CARES Act was a life saver for people who lost their job because of the pandemic. Unemployment benefits were provided to self-employed people, independent contractors, and others out of work because of the coronavirus pandemic who don't otherwise qualify for benefits. Weekly unemployment checks were also increased by \$600 through July 2020. Benefits were made available for a longer period of time, too.

In December, the COVID-Related Tax Relief Act extended benefits for people who usually don't qualify for unemployment. An extra payment was also authorized, but at \$300 per week instead of \$600 per week. The number of weeks of benefits someone may claim was increased from 39 to 50, too. However, these benefits were set to expire on March 14.

Under the American Rescue Plan, the enhanced unemployment benefits are extended to September 6, 2021. That includes the \$300-per-week of additional payments beyond the normal unemployment compensation allowed. (Progressives wanted a minimum of \$400 in extra weekly benefits, but the amount was pushed back down to \$300 during negotiations in the Senate.)

There's also a new tax break for the unemployed. Thanks to the American Rescue Plan, the first \$10,200 of unemployment benefits received in 2020 are exempt from tax for households with an adjusted gross income of \$150,000 or less (although state taxes may still apply).

Child and Dependent Care Tax Credit

Finding and affording childcare is one of the more difficult challenges workers are facing during the pandemic. To help address the childcare affordability crisis, the American Rescue Plan significantly expands the child and dependent care tax credit for one year.

For the 2020 tax year, if your children were younger than 13, you were eligible for a 20% to 35% non-refundable credit for up to \$3,000 in child-care expenses for one child or \$6,000 for two or more. The percentage decreased as income exceeded \$15,000.

The American Rescue Plan makes a number of enhancements to the credit for the 2021 tax year. First of all, the new stimulus law makes the credit refundable for this year. That helps lower-income people the most, since they are more likely to lose all or some of the credit's worth when it's non-refundable. It also bumps the maximum credit percentage up from 35% to 50% for 2021.

More of your childcare expenses are subject to the credit, too. Instead of up to \$3,000 in childcare expenses for one child and \$6,000 for two or more, the American Rescue Plan allows the credit for up to \$8,000 in expenses for one child and \$16,000 for multiple children in 2021. When combined with the 50% maximum credit percentage, that puts the top credit for this tax year at \$4,000 if you have just one child and \$8,000 for more kids.

In addition, the full credit will be allowed for families making less than \$125,000 a year (instead of \$15,000 per year). After that, the credit starts to phase-out. However, all families making between \$125,000 and \$500,000 will receive at least a partial credit.

Child Tax Credit

Another way to help families with children is to increase the child tax credit. For 2020 tax returns that you're filing this year, the credit is worth \$2,000 per child age 16 or younger. It also begins to disappear as income rises above \$400,000 on joint returns and above \$200,000 on single and head-of-household returns. For some lower-income taxpayers, the credit is partially "refundable" (up to \$1,400 per qualifying child) if they have earned income of at least \$2,500. That means the IRS will issue you a refund check for the refundable amount if the credit is worth more than your income tax liability.

The American Rescue Plan provides a dramatic, one-year expansion of the child tax credit for the 2021 tax year. One of the biggest changes is to the amount of the credit. For 2021, it jumps from \$2,000 to \$3,000 for most children – but to \$3,600 for children 5 years old and younger. The extra amount (\$1,000 or \$1,600) is reduced – potentially to zero – for families with higher incomes, though. For people filing their tax return as a single person, the extra amount starts to phase-out if their adjusted gross income is above \$75,000. The phase-out begins at \$112,500 for head-of-household filers and \$150,000 for married couples filing a joint return. The credit amount is further reduced under the pre-existing \$200,000/\$400,000 phase-out rules.

Another important change is that the 2021 credit is fully refundable. That means refund checks triggered by this year's credit can be greater than \$1,400. The \$2,500-of-earned-income required is dropped for 2021, too.

Children age 17 also qualify for the 2021 credit. That will make a huge difference for parents with kids turning 17 this year – that's an additional \$3,000 they weren't expecting.

Last but not least, half of the 2021 credit amount will be paid in advance through periodic payments issued between July and December of this year. We expect the periodic payments to be monthly, but that will be up to the IRS (they might make payments on a different schedule). You'll claim the other half of the credit on your 2021 tax return, which you'll file next year.

Earned Income Tax Credit

The earned income tax credit (EITC) provides an incentive for people to work. And, for 2021, many more workers without qualifying children will be able to claim this valuable credit, including both younger and older Americans. The "childless EITC" amounts will be higher, too. Plus, there are other changes that will help the bottom line for lower-income Americans as well.

For the 2020 tax returns that people are filing now, the maximum EITC ranges from \$538 to \$6,660 depending on your income and how many children you have. But there are income limits for the credit. For example, if you have no children, your 2020 earned income and adjusted gross income (AGI) must each be less than \$15,820 for singles and \$21,710 for joint filers. If you have three or more children and are married, though, your 2020 earned income and AGI can be as high as \$56,844. (Note: People can use their earned income from 2019 to determine the EITC for the 2020 tax year if it results in a higher credit amount.) If you don't have a qualifying child, you must be between 25 and 64 years old at the end of the tax year to claim the EITC.

The American Rescue Plan expands the 2021 EITC for childless workers in a few ways. First, the new law generally lowers the minimum age from 25 to 19 (except for certain full-time students). It also eliminates the maximum age limit (65), so older people without qualifying children can claim the 2021 credit, too. The maximum credit available for childless workers is also increased from \$543 to \$1,502 for the 2021 tax year. Expanded eligibility rules for former foster youth and homeless youth apply as well.

As with the 2020 EITC, you can use your 2019 earned income instead of your 2021 income if that will boost your credit amount. That will help many people who were laid off, furloughed, or otherwise suffer an income loss this year.

There are also a few permanent EITC changes in the American Rescue Plan. For instance, workers who otherwise wouldn't be able to claim the credit because their children can't satisfy the identification requirements can now claim the childless EITC. Certain married but separated couples can now claim the EITC on separate tax returns, too. The limit on a worker's investment income is also increased from \$3,650 (for 2020) to \$10,000 (adjusted for inflation after 2021).

Student Loan Debt

Our final power punching piece of the American Rescue Plan won't affect very many people right now. But it will save millions of Americans big bucks if it's eventually paired with another financial benefit on President Biden's wish list – student loan forgiveness.

Normally, the amount of any debt that is canceled, forgiven, or discharged for less than the full amount you owe is taxable and must be reported on your tax return. For example, if you have a \$20,000 loan that is forgiven for some reason, you must report \$20,000 of additional income on your tax return. There are several exceptions to this general rule, but in most cases forgiven student loans currently result in a higher tax bill.

The American Rescue Plan adds a temporary exception to the general rule for student loans. From 2021 to 2025, forgiven student loan debt is not subject to federal income tax. (To be clear,

the American Rescue Plan doesn't forgive any student loan debt. At this time, the tax exemption only applies to debt cancelled under current student loan forgiveness programs.)

Right now, relatively few people have their student loans wiped away. But President Biden promised to forgive up to \$10,000 of student loan debt per person when he was running for office. If he keeps that promise, the tax exemption could save millions of people thousands of dollars. If, for example, you're in the 22% tax bracket, having \$10,000 of forgiven student loan debt taken off your tax return will save you \$2,200. So, as you can see, the tax exemption for forgiven student loan debt has a lot of potential.

NYSUT NOTE: The NYSUT Member Benefits Corporation-endorsed Cambridge Credit Counseling program can assist NYSUT members with better understanding their student loan re-payment options and/or debt consolidation. [Learn more.](#)

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