

Overview of Pandemic Relief Bill for individuals

Below is a summary of the stimulus relief for individuals that is part of the Consolidated Appropriations Act, 2021 (H.R. 133) which was signed into law on 12/27/2020.

Second round of stimulus checks/direct deposits

Stimulus payments should start being processed in the coming week(s). Stimulus payments are \$600 for each individual (\$1200 per couple) and \$600 for children age 17 and under. The amount of the stimulus payment will start to phase out at incomes of \$75,000 (Single), \$112,500 (Head of household) and \$150,000 (Married filing joint or surviving spouse).

There are a number of online calculators that can be used to determine the projected amount of the second stimulus check. You will need your 2019 Adjusted Gross Income, which can be found on line 8b of form 1040. Here is a calculator from Forbes: <https://www.forbes.com/advisor/personal-finance/second-stimulus-check-calculator-payments/>

Enhanced unemployment benefits

Individuals on unemployment can receive an extra \$300 per week for up to 11 weeks starting on December 26, 2020. The \$300 is not retroactive and is good through March 14, 2021.

Earned Income Tax Credit changes for 2020 tax returns

Taxpayers that qualify for Earned Income Tax Credit, who have less earned income in 2020 than in 2019, can use their 2019 Earned Income to calculate their Earned Income Tax Credit.

Rollover of Flexible Spending Accounts (FSA)

The bill allows taxpayers to carry over amounts in their FSA to 2021 (from 2020), and then again into 2022 (from 2021). This covers both healthcare and dependent care FSAs.

Tax Year 2021 – Removal of Tuition and Fees Deduction

Starting in 2021, the Tuition and Fees Deduction has been eliminated. It has been replaced with a higher phase-out limit of the Lifetime Learning Credit. The new phase-out limits are \$80,000 for single and \$160,000 for joint returns.

Tax Year 2021 – Charitable deductions

Starting in Tax Year 2021, an individual who does not itemize deductions can also get an above-the-line deduction of \$300 per return (\$600 for a joint return) for cash donations. The suspension of cash donation limits was also extended through 2021.

Tax Year 2021 – Medical Expense deductions

Starting in 2021, to be able to claim medical expenses, the floor is officially 7.5%. This number has vacillated between 10% and 7.5%, but is now permanent at 7.5%.