



Congress Passes the American Rescue Plan Act of 2021 IRS Extends Form 1040 - April 15 Due Dates to May 17

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It sure has been a busy week in Washington as it relates to taxpayers and economic incentive programs! On March 17, the IRS announced that the federal income tax filing due date for individuals for the 2020 tax year will be automatically extended from April 15, 2021 to May 17, 2021. This is an extension of the filing deadline and an extension of time to make payments related to 2020 taxes without penalty or interest. The extension of time to pay and/or file **does not** apply to estimated tax payments for 2021 that are due on April 15, 2021. Unlike last year's extension of filing due dates, which applied to all taxes due April 15, this year's extension applies only to individual taxes on Form 1040 and not to taxes or forms filed by trusts, estates, or businesses, nor special forms used by individuals to report foreign bank accounts or other matters. Additionally, as of March 18, 2021, this applies only to federal income taxes as we await word on whether states will follow suit.

Earlier in the week, on March 11, 2021, Congress passed the American Rescue Plan Act of 2021 (ARPA). Some highlights of this law include:

Economic Impact Payments. ARPA authorized an additional \$1,400 payment to eligible individuals. Eligibility was scaled back as compared to previous payments with income limits of \$75,000 for single filers, \$112,500 for Head of Household and \$150,000 for joint filers. The payments are completely phased out at income of \$80,000, \$120,000, and \$160,000, respectively. Additional payments of \$1,400 will be made for each eligible dependent. Expect those funds to be arriving immediately, and if you provided us your banking information when we filed last year's return, please expect it to be coming automatically into your bank account, if you qualified.

Child Tax Credit. ARPA increased the Child Tax Credit from \$2,000 per child to \$3,000 per child and the entire amount is now refundable. Additionally, the age limit for children has been increased from 16 to 17, and the credit for children under the age of six has been increased to \$3,600. The credit increases phase out for single filers at \$75,000, head of household at \$112,500 and joint filers at \$150,000. The original \$2,000 credit is still subject to full phaseouts at \$200,000 for single filers and \$400,000 for joint filers.

Unemployment Assistance. Congress has authorized an extension of the enhanced \$300 weekly unemployment assistance through September. Additionally, taxpayers who received unemployment benefits in 2020 and have AGI of less than \$150,000 may now exclude \$10,200 of their unemployment benefits from taxable income.



Paid Sick and Family Leave Credits. The payroll tax credit for employers providing paid sick and family leave was first passed early in 2020 and provided a credit against payroll taxes for sick pay and family leave pay of up to \$10,000 per employee. This credit was initially available for eligible wages paid through December 31, 2020 and was later extended to March 31, 2021. ARPA now extends the applicable period to September 30, 2021 and also increased the limit on applicable wages to \$12,000 for wages paid after March 31, 2021.

Employee Retention Credit. The ERC has been extended through December 31, 2021, allowing businesses to claim an ERC of up to \$7,000 per employee per quarter or \$28,000 per employee for the entire year. As a reminder, to qualify for the ERC, a company must experience either partially or fully suspended operations due to restrictions imposed by the government or percentage decline in gross receipts. For 2020, the qualifying percentage decline is 50% for a quarter as compared to the same quarter in 2019. For 2021, the qualifying percentage is 20% for a quarter as compared to the same quarter in 2019. Additionally, two additional revisions pertaining to wages paid between July 1, 2021 and December 31, 2021 have been included:

- Businesses that began carrying on a trade or business after February 15, 2020 and had less than \$1 million in average gross receipts are eligible for up to a \$50,000 ERC per quarter
- Severely financially distressed employers, defined as an eligible employer with less than 10% of gross receipts for 2021 as compared to the same period in 2019, are not subject to the large employer restrictions on qualified wages

COBRA Premium Assistance. A new addition to Covid relief is a provision that fully subsidizes seven months of COBRA health insurance for laid off former employees. The assistance comes in the form of a payroll tax credit to the employer and the fully subsidized premium is not taxable to the employee.

Restaurant Revitalization Grants. This is a new program for restaurants and similar type businesses that provides grants to cover the drop in gross receipts from 2019 to 2020 (i.e., the pandemic-related revenue loss). Grants will be limited to \$5M per physical location of an entity or \$10M in total for all locations. Entities will apply for these grants through the SBA, but the SBA has not yet announced when applications will be available.

Eligibility for PPP Loans and Shuttered Venue Operator Grants (“SVOG”). There was previously a restriction in place preventing businesses from applying for the upcoming SVOG program if they applied for a PPP loan after December 27, 2020. This restriction been lifted. However, once a business receives a SVOG, it can no longer apply for a PPP loan. The SVOG program has still not begun but plans are for it to open in early April.

As always, please feel free to contact your SKP advisors to seek help with these programs, so that we can ensure you are receiving all the benefits available to you and your business.