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## **IMPORTANT 2020 TAX CHANGE UPDATE**

**To those who have already filed - we may need to amend your return.**

**To those who are waiting for your return to be completed -**

**Be thankful we have not filed yet, pump the brakes, be patient, and read below!**

President Biden signed the American Rescue Plan Act (ARPA) on 3/11/2021. This Act includes many changes for 2021 taxes, as well as a retroactive tax change to the treatment of unemployment for 2020.

### **RETROACTIVE CHANGE TO UNEMPLOYMENT TAXABILITY**

ARPA provides taxpayers an exemption on the first \$10,200 of unemployment income for taxpayers whose adjusted gross income (AGI) is below \$150K for 2020. If you are married filing jointly, you and your spouse will **each be able to exclude the first \$10,200** of your unemployment income. However, you cannot use up your spouse's unused exemption. If you are over \$150K in AGI, you get no exemption.

### **ECONOMIC IMPACT PAYMENT # 3 - STIMULUS CHECK**

The third round of stimulus has some major changes in comparison to the first two.

1. The payment fully phases out after AGI reaches \$80,000 for single filers, \$120,000 for head of household, and \$160,000 for joint filers or surviving spouses. Over these limits, you get nothing.
2. Adult dependents (i.e. college age students and other older dependent relatives) will be included in the calculation of the amount of stimulus owed.

The maximum payments will be equal to **\$1,400 per taxpayer**, plus **\$1,400 per dependent**.

It is expected that these payments will start to go out by the end of March 2021. These amounts will be based on the most recently filed tax return with the IRS. Each taxpayer's situation is different and some clients are better served by delaying your 2020 filing. We evaluate each client's situation before filing.

### **ADDITIONAL CHANGES FOR 2021 TAX YEAR**

**Both the Child Tax Credit & Child and Dependent Care Credits have been expanded for 2021 and will benefit a large portion of our tax clients. You may be eligible to receive monthly advances on the Child Tax Credit starting in July 2021.**

**Additional details on these 2 credits and other tax changes made in this bill will be forthcoming in the coming months via future tax update bulletins.**

3/12/2021