

New COVID-19 Economic Relief: What You Need to Know

March 12, 2021

On Wednesday, March 10, 2021, Congress passed a new COVID-19 relief bill, which was signed into law by President Biden the next day. The \$1.9-trillion relief package offers new economic assistance to individuals, families, schools, businesses and state and local government. The American Rescue Plan Act of 2021 (the Act) will offer important financial assistance to individuals with disabilities and their families. Highlights include direct financial assistance, extension of federal supplemental weekly unemployment insurance benefits, expansion of eligibility and support for families under the Child Tax Credit and to individuals and families under the Earned Income Tax Credit (EITC), additional food benefits under the Supplemental Nutrition Assistance Program (SNAP) and some relief to homeowners and renters who are struggling and behind in payments.

1. New stimulus payment

The Act is set to send a third round of stimulus payments of up to \$1,400 per eligible individual or \$2,800 for eligible married couples filing jointly. Adults who earned less than \$75,000 will receive a full payment, with reduced payments to those earning up to \$80,000; married couples who earned up to \$150,000 will also receive a full payment with reduced payments to those earning up to \$160,000. Children and adult dependents claimed on tax returns within these households are also eligible for \$1,400 payments, including college students and some people with disabilities, not just children under 17. Undocumented immigrants are not eligible to receive direct payments. However, unlike previous rounds of payments, this Act would allow residents married to undocumented residents to receive stimulus payments. It is planned that direct deposit payments will be made first and automatically deposited in the bank account utilized on your most recently filed tax return. If the IRS does not have an individual's direct deposit information, the individual will then be receiving payments via physical checks or Economic Impact Payment (EIP) debit cards.

2. Unemployment benefits

Supplemental unemployment benefits, scheduled to start running out March 14th, will be extended by the federal government through September 6th, providing an extra \$300 a week on top of what individuals currently receive through their state unemployment

programs. The extension of unemployment benefits will also apply to Pandemic Unemployment Assistance (PUA), which assists workers that normally do not receive unemployment insurance including gig workers, freelancers and those who are self-employed. Additionally, this new stimulus package includes a tax exemption for the first \$10,200 in unemployment benefits received by an individual with an adjusted gross income less than \$150,000. The package also provides a 100 percent subsidy of COBRA health insurance premiums to ensure that laid-off workers can remain on their employer health plans at no cost through the end of September.

3. Child Tax Credit and Earned Income Tax Credit Changes

Both the Child Tax Credit (CTC) and Earned Income Tax Credit tax credits are important methods to reduce poverty for children, adults and families. Under the Act, the CTC, which is available currently for children of families with no or low earnings, will have the maximum credit raised from \$2,000 to \$3,000 per child and \$3,600 for children under age six and extends the credit from 16 to 17-year-olds. The credit's maximum amount will begin to phase out for heads of households making up to \$112,500 and married couples making up to \$150,000. These changes will make the full CTC available to 27 million children in families with no or low income.

The EITC is another way low-paid working adults can receive additional financial support. This COVID relief provision expands who is eligible for the credit and increases the amount of funding. Eligibility has been expanded to younger adults age 19-24 who are not full-time students and those 65 and over. To qualify for the credit, the annual income for the individual must be below an estimated \$21,000 (prior cap was \$16,000). The amount of the credit for a working adult without children will increase from about \$540 to an estimated maximum of \$1,500. There are more than five million workers without children (ages 19-65) who will be the beneficiaries of these changes to EITC, including many individuals with disabilities. There are also increased benefits to low-income families with children. These changes are only for 2021, meaning the credit would be available on next year's tax return.

4. Housing help with eviction or paying rent or mortgage

There is some new assistance to homeowners and renters. By creating a Homeowner Assistance Fund, the Act gives states \$10 billion to help homeowners who are struggling to pay mortgage payments and utility bills. The Act also allocates \$30 billion for emergency rental assistance and homelessness relief with special attention paid to "high-need" candidates, such as very low-income renters who are paying more than 50 percent of their income on rent. State and local governments will control how these funds are used. The Act notably does not extend the foreclosure moratorium for homeowners, which is set to expire on June 30, 2021. The Act does allow for up to six

months of additional mortgage payment forbearance in three-month increments for people who entered forbearance on or before June 30, 2020. Additionally, the Act does not extend the eviction moratorium for renters, which is set to expire on March 31, 2021.

5. Food assistance changes (SNAP)

The Act also enhances food assistance. The largest injection of funds, just over \$1 billion, goes to the country's largest anti-hunger program, the Supplemental Nutrition Assistance Program, formerly known as the "Food Stamp Program." This money will enable a 15 percent increase to maximum SNAP allotments to extend through September 2021. Additionally, the Act allocates funds to maintain and expand Pandemic-EBT (P-EBT) to replace the free or reduced-price meals for children from low-income households they would normally receive at school. For low-income women and babies, the Act offers funds to support the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). For low-income seniors, the Act offers additional financial support to the Commodity Supplemental Assistance Program and the Older Americans Act, which includes many nutrition programs. Finally, the Act allots \$1 billion to provide food assistance to Puerto Rico and other U.S. territories.