

American Rescue Plan Act of 2021



The American Rescue Plan Act of 2021 is the nearly \$1.9 trillion-dollar federal bill that President Biden signed into law on March 11, 2021. It includes various provisions responding to the COVID19 pandemic, including:

- money for individuals through Recovery Rebates,
- enhanced unemployment insurance benefits, and
- changes to certain federal tax credits.

Note: An Economic Impact Payment (EIP) is an advance payment of the Recovery Rebate Credit (RRC). As such, you will see the EIP referred to as the RRC on your 2020.

What is a Recovery Rebate?

Among other things, the American Rescue Plan provides for a Recovery Rebate, which is the third round of payments from the federal government during the COVID-19 pandemic. It goes to individuals who made less than \$80,000; to married couples who made less than \$160,000; and to heads of tax households who made less than

\$120,000. The amounts are from the 2020 tax year, and are based on adjusted gross income on your taxes. If you haven't already filed your 2020 taxes this year, the Internal Revenue Service (IRS) will use your 2019 tax return amount.

How much is the Recovery Rebate?

The Recovery Rebate is up to \$1,400 per qualifying individual and \$1,400 per qualifying dependent.

Who is (and isn't) eligible for a Recovery Rebate?

There are some changes from last year's Stimulus Payments under the CARES Act (which provided the first round of payments, starting in March 2020) and the Consolidated Appropriations Act of 2021 (which provided the second round of payments, starting in December 2020). To qualify for the current Recovery Rebate, you must be an adult with a social security

Number (SSN) that is currently valid for employment, and you cannot have been claimed as a dependent on someone else's taxes.

If you have only an Individual Taxpayer Identification Number (ITIN), you are ineligible, unless your spouse has a SSN and was a member of the U.S. Armed Forces at any time during the tax year during which you filed a tax return that qualifies you for the Recovery Rebate

If your child has a SSN or an Adoption Taxpayer Identification Number (ATIN), they are eligible, if you have a SSN.

If you have a SSN and are a member of a mixed immigration status family, the family members with SSNs or ATINs are eligible to receive the Recovery Rebate, and the other family members with ITINs or no numbers at all are ineligible. (Exception: you have a SSN and were a member of the U.S. Armed Forces at any time during the tax year during which you filed a tax return that qualifies you for the Recovery Rebate, then your spouse with an ITIN would be eligible.)

What do I need to do?

The Recovery Rebate will come to you automatically, without you needing to do anything, if you:

- Filed a tax return for 2020,
- Filed a tax return for 2019,
- Used the Non-Filers tool for the 2020 Stimulus Payment before November 22, 2020,
- Receive Social Security benefits (including retirement, disability and survivors),
- Receive Supplemental Security Income (SSI) benefits,
- Receive Railroad Retirement benefits, or
- Are a veteran or their beneficiary receiving VA Compensation or Pension (C&P) benefits.

Note: Once you file your tax return, you will be eligible for an automatic Recovery Rebate, if you meet the other eligibility criteria discussed above. Payments are also automatic for anyone who submitted a simplified tax return that has been processed by the IRS.

How do I apply?

If you have none of the above benefits, you have not filed taxes in 2019 due to low or no income, and you did not register with the IRS.gov Non-Filers tool before November 22, 2020, then you will not receive an automatic payment now. Instead, you must file your 2020 federal income tax return now and claim the Recovery Rebate on line 30 of your return.

What if I have children?

For any child (regardless of age) who was listed as a dependent on your 2020 tax return (or your 2019 tax return, if you have not yet filed your 2020 tax return), you may qualify for an additional Recovery Rebate of \$1,400. The child must not be claimed as a dependent on anyone else's taxes, and they must have either a SSN or an ATIN.

What if I have children who are in college?

If you have children who are in college and you claim them as dependents, they are eligible for the Recovery Rebate as well. The payment would go to you, not to the children.

Recent graduates who do not qualify as dependents may be eligible to claim the Recovery Rebate on their own tax returns.

What if I have a child who is born in 2021?

As long as the child is born anytime in 2021, you will get a Recovery Rebate for that child, if you meet the income limitations.

What if I claim an older adult as a dependent?

If claimed as dependents, these adult relatives are eligible for the Recovery Rebate as well. The payment would go to you, not to the dependent adult.

What if I am newly eligible for a Recovery Rebate based on my 2020 income, but I haven't filed my 2020 return?

File your 2020 taxes as soon as possible, and claim the Recovery Rebate Credit. According to the IRS website, you might actually be eligible for not only the current payment, but also the two payments from last year.

How much will I get?

The amount of your Recovery Rebate depends on your family size and how much income will be reported on your 2020 tax return (or on your 2019 return, if you have not yet filed for 2020). The full amount of \$1,400 will be given to single people with no children with \$75,000 or less in income, or to head of household tax filers with \$112,500 or less, and to each qualifying member of a married couple with \$150,000 or less. However, the Recovery Rebate amount is reduced as income rises to \$80,000 for a single person, \$120,000 for a head of household, and \$160,000 for married couples.

When will I get the Recovery Rebate?

Direct deposit payments have already begun. Based on past schedules, paper checks will begin to be mailed on March 22, 2021, and Economic Impact Payment (EIP) Cards will begin to be mailed on March 29, 2021. As before, you should be able to use the I.R.S.'s Get My Payment tool to track the status of your payment.

What if I didn't get my Recovery Rebates from 2020?

If you were eligible for a Recovery Rebate from March 2020 (the first stimulus payment) or December 2020 (the second stimulus payment) but did not receive it, you can try to recover it by claiming the Recovery Rebate Credit when filing your 2020 tax return. Make your claim on Line 30 of IRS Form 1040 or 1040-SR.

I already received my Recovery Rebate and it did not include extra money for my children. What do I do?

You may need to file your 2020 tax return in 2021 to receive the extra \$1,400 per child if you did not receive it with the Recovery Rebate this year.

What if my spouse and I filed taxes jointly, but only one of us has a Social Security Number and the other has an ITIN?

This is no longer a problem. The spouse who has a SSN can receive the Recovery Rebate, and the other spouse will not receive it.

Exception: If the spouse with a SSN was a member of the U.S. Armed Forces at any time during the tax year during which you filed a tax return that qualifies you for the Recovery Rebate, then the spouse with an ITIN will also receive the Recovery Rebate

Will I have to pay back the Recovery Rebate?

No. The Recovery Rebate is an advanced tax credit that does not come out of anything in the future. As long as you received it properly, you do not have to pay it back. It does not deduct from anything else. It is not a loan; it is a tax refund

Will the Recovery Rebate harm me for immigration purposes or make me a Public Charge?

No. The Recovery Rebate does not count towards Public Charge for immigration purposes. As long as you received it properly, it would not have any negative immigration consequences.

Will the Recovery Rebate reduce or make me ineligible for any government benefits?

No. The Recovery Rebate is a type of one-time tax refund. We believe it does not count as income towards government benefits, including Public Assistance, Medicaid, SNAP (Food Stamps), SSI, Section 8, and NYCHA.

For SSI, the money does not count against the resource limit of \$2,000 (for individuals) or \$3,000 (for couples) for 12 months. For Public Assistance, we believe it does not count against the resource limit of \$2,000 (\$3,000 age if 60+) for 2 months after the month received.

Are Recovery Rebates subject to collections?

While the Recovery Rebates are protected from collections and will not be offset for any Federal or state debts, including child support, they are not currently protected from garnishment to pay off private debt.

What if I'm ineligible for a Recovery Rebate but I accidentally receive one?

If you receive a Recovery Rebate but should not have due to having income over the threshold, we believe the IRS would not make you pay it back. That was true with

last year's Recovery Rebates, and we expect the same for the current Recovery Rebates, as well.

However, if you are ineligible due to your immigration status but you accidentally receive a Recovery Rebate anyway, we advise that you return it to the IRS to avoid the possibility of any negative immigration consequences.

For the Recovery Rebates issued last year, the IRS initially claimed that incarcerated people did not qualify for Recovery Rebates, and said that any payment made to someone who is incarcerated had be returned to the IRS. Due to litigation, this is no longer the case. Individuals who were incarcerated in a prison or jail at any time from March 27, 2020 to the present but meet the eligibility criteria for the last year's payments can receive the benefit. The same is true for the current Recovery Rebates, as well.

Deceased individuals, or an estate or trust, remain ineligible. The IRS says that any Rebate made to someone who died before receipt of the Rebate has be returned to the IRS.

Extension of Unemployment Insurance Compensation Benefits

Regular unemployment insurance (UI) compensation benefits are extended for an additional 25 weeks and will be increased by an additional \$300 per week. This includes the Pandemic Unemployment Assistance (PUA) that extends UI benefits to workers who traditionally are ineligible, such as gig economy workers and independent contractors

Pandemic Emergency Unemployment Compensation (PEUC), originally set to expire on March 14, 2021, will also be extended for a combined maximum of 79 weeks. Individuals receiving benefits beyond the standard 26-week period as of March 14, 2021 will continue receiving them through September 6, 2021 if they have not reached their maximum number of benefit weeks.

Federal funding will be extended for states waiving their waiting week for benefits. Workers with at least \$5,000 in self-employment income may be eligible for an additional \$100 per week benefit as part of the Mixed Earner Unemployment Compensation to adjust for a lower UI base payment.

Although unemployment benefits are taxable, the new law made the first \$10,200 of benefits tax-free for people with incomes less than \$150,000. This applies to 2020 only.

Child Tax Credit & Earned Income Tax Credit

The Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC) (also called the Earned Income Credit [EIC]) will be calculated differently for tax year 2020 than in the past. For each credit, you must have a certain amount of earned income, based on family size, to qualify for the full credit. During the pandemic, however, a lot of people who would normally have qualified might have earned less because they lost their jobs or worked fewer hours. Because the lower income in 2020 could mean you might not qualify for these credits, the new Recovery Rebate law includes a provision that allows you to use your 2019 earned income to calculate your CTC and EITC for tax year 2020. Hopefully this would help you to qualify for these credits.

Furthermore, the CTC, which is usually worth up to \$2,000 per eligible child, has increased to as much as \$3,000 per child (\$3,600 for ages 5 and under), and the age limit for qualifying children has increased from 16 to 17.

You can receive some of the credit as an advance on your 2021 taxes. (You can also opt out of advance payments if you wish.) The law makes the credit fully refundable, which means you can receive money from it as a tax refund even if your tax bill is reduced to zero. Half of that money can be advanced to you over the next six months (based on your 2020 tax information, or based on your 2019 tax information if you have not yet filed your 2020 tax return).

Note: It is not clear how frequently payments would be made.

Child and Dependent Care Credit

The Child and Dependent Care Credit, which helps working families offset the cost of care for children under 13 and other dependents, will be significantly expanded for tax year 2020. For this year only, the credit, worth a maximum of \$2,100 for two or more qualifying individuals, is now worth up to \$4,000 for one qualifying individual or \$8,000 for two or more.

The law also significantly increases the income level at which the credit begins to be reduced. In past years, the credit reductions began at an adjusted gross income of \$15,000, but this year reductions will begin at \$125,000.

Additionally, the third round of Recovery Rebates makes the credit fully refundable so you can collect the money as a refund even if your tax bill is zero.

Disclaimer

The information in this document is for informational purposes only and is not legal advice. This information is not intended to create, and receipt of it does not constitute, an attorney-client relationship. You should not act upon any information without retaining professional legal counsel.

Last updated on May 19, 2022.

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