

Update to Coronavirus Stimulus 2.0

By *4Rivers Wealth Management*

After months of debate, the Coronavirus Stimulus 2.0 bill passed out of Congress and was signed by President Trump. While it extends many of the relief measures under the CARES Act for business owners, here is a broad look at what the bill includes:

Who Receives A Stimulus Check: Single filers with Adjusted Gross Income up to \$75,000 will get a \$600 check as will each child. Heads of household earning up to \$112,500 and married couples making up to \$150,000 will as well. However, if your earnings are above those levels, the benefit is reduced \$5 for every \$100 in income. If you earned less in 2020 than 2019, but too much to collect a stimulus check, you might be eligible for a tax credit.

Additional Unemployment Benefits: The bill provides another \$300/week of unemployment insurance relief for 10 weeks on top of an individual's state unemployment benefit.

Small Business Tax Credits: Small businesses will gain access to an expanded Employee Retention Tax Credit which could provide up to \$7,000 an employee each quarter if the business experienced at least a 20% decline in quarterly revenue.

Forgivable Loans for Small Business: Business owners have another opportunity to get a forgivable loan via the Paycheck Protection Program (PPP2). The program now extends through March 31, 2021. For those that are especially hard hit, the program allows for a second draw of up to \$2 million, but you must be able to show that revenue was down at least 25% in any quarter of 2020. The program also aims to simplify the application process for loans under \$150,000.

Gig Workers and Business Owners: Starting in 2021, this cohort can now deduct meals and entertainment expenses at restaurants for 100% of the expenses versus the prior 50% threshold. The expanded provision expires at the end of 2022.

There are also some considerable opportunities for taxpayers when it comes to personal income tax planning:

Qualified Charitable Contributions: The provision in the CARES Act that allowed taxpayers to deduct 100% of their cash donations to a qualified charity, regardless of income limits, gets extended into 2021.

Employer Benefits: If you did not exhaust your Flexible Spending Account in 2020, you can carry forward any unused balance into 2021 if the plan permits.

Medical Expenses Deductions: Welcome news for retired taxpayers with medical expenses. The bill lowers the hurdle for the Medical Expense Deductions and permanently returns it to 7.5% of AGI.

Education Expenses: The Tuition and Related Expenses deduction for education has been eliminated and replaced with an expanded Lifetime Learning Credit. Modified Adjusted Gross Income limits are now \$80,000 for single filers and \$160,000 for joint filers.

What is not included? The ability to defer Required Minimum Distributions from your IRA accounts. The CARES Act had given taxpayers the option to pause distributions from their IRA accounts in 2020, effectively allowing these accounts to make back any potential losses. However, starting in 2021 investors who are 72 y.o. or older will have to return to taking their annual RMD amounts.

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