



## **American Rescue Plan Checks and Tax Credits**

The American Rescue Plan (ARP) includes direct assistance through checks and tax credits to individuals and families to reduce poverty and alleviate pandemic-related income loss.

### **Programs and Their Purposes**

#### **Earned Income Tax Credit (EITC)**

The EITC provides support to low- and moderate income workers through refundable tax credits with preference given to working parents. The amount of the EITC tax credit depends on a recipient's income and number of children. The EITC was expanded after the passage of the ARP to increase benefits and lift childless, low-income workers out of poverty stricken following the economic impacts of the COVID-19 pandemic.

Following the passage of the ARP, the EITC is expanded to benefit low-paid working adults without children. The expansion raises the maximum EITC for adults without children to \$1,502 from \$543. It raises the income cap to qualify to \$21,000 from \$16,000, and increases the phaseout amount to \$11,610 from \$5,280, the same amount that is applied to people with children. It lowers the minimum age to qualify to 19 (from 25) for individuals who aren't students; to 24 for students; and to 18 for former foster or homeless youth. It increases the qualifying age to 65+ and boosts disqualification investment income to \$10,000 (from \$3,650).

The EITC will provide support for 17 million people, including 5.8 million childless workers aged 19-65 who are disproportionately people of color (26% Latinx and 18% Black compared to 19% and 12% of the population, respectively).

To claim EITC, individuals must file a tax return even if they do not owe any tax or are not required to file. Individuals can expect to receive their EITC entitlement with their tax refund after successfully completing their 2020 tax return by the May 17th, 2021 deadline.

#### **Child Tax Credit (CTC)**

The CTC is a tax deduction for parents of dependent children aged 18 or younger. The CTC has been expanded to reduce childhood poverty following the passage of the ARP to address the economic effects of the COVID-19 pandemic on children. The increased tax credits are only available for 2021 under the ARP unless extended by future legislation.

The ARP temporarily expands the CTC to \$3,000 (from \$2,000) for each child 6-17. Additionally, parents with children 5 and under are eligible for a \$3,600 tax credit.

The CTC will lift about 4 million children above the poverty level, including 1.2 million Black and 1.7 million Latinx children. Additionally, the expansion will lift 1.1 million children out of deep poverty by cutting child poverty by about 40%.

The ARP specifies that periodic CTC payments will begin from July 1st until December 31st, however the IRS will issue additional information on exact dates and the frequency of CTC payments for qualifying households. Treasury's initial [fact sheet](#) on ARP and the CTC payments reflects this need for additional guidance.

### **Direct Cash Payments**

As a result of the ARP, many taxpayers will qualify for a third Economic Impact Payment to address COVID-19 related earning losses and to help stimulate small businesses and local economies. The individual checks will give many households some much needed relief to help pay for basic necessities that they are unable to afford due to the economic impacts of COVID-19.

The direct individual checks in the ARP will consist of \$1,400 per individual with an income of up to \$75,000 for single earners and \$1,400 for heads of households earning up to \$112,000. Additionally, married couples earning up to \$150,000 will be sent \$2,800. There will also be \$1,400 sent for each dependent claimed on a tax return. Eligible dependents include those who you have provided at least half of the person's total support for the year to claim including children under 18, children under 24 if they are a student, parent, or adult relative. There will be partial checks sent to individuals making up to \$80,000 and married couples with an income up to \$160,000.

The direct payment checks will be distributed to those with a SSN for single earners, each adult with a SSN in a married couple, and each dependent with a SSN. For mixed-status households, families are eligible to receive checks for children with SSNs even if parents do not have them. The income eligibility will be based on 2019 tax returns or 2020 returns if already filed.

The IRS and the Department of Treasury have already disbursed more than 90 million economic impact payments and are actively working to disperse all of the economic impact payments by 60 days of the passage of the ARP.

### **Pandemic Unemployment Insurance**

The American Rescue Plan provides assistance to individuals who are unemployed as a result of the COVID-19 pandemic. The ARP waives federal income taxes on the first \$10,200 of state and federal unemployment benefits received by middle- and low-income taxpayers. Additionally, the ARP increases the duration of unemployment benefits from 50 weeks to 79 weeks and extends the Pandemic Unemployment Compensation benefit of \$300 per week until September 6th, 2021.

## **Funding Use**

The Earned Income Tax Credit, Child Tax Credit, and Direct Cash Payments do not have allowable, prohibited, or permissible use provisions in the ARP. Once an individual or household receives these stimulus payments, they are free to use them as they choose. However, if an individual or household receives more money than they were eligible for, there will be a tax penalty in their 2022 tax filings.

***Learn more about the American Rescue Plan on the Results for America [website](#).***