

11 Tax Tips for Maximizing Stimulus Package Benefits

Did you receive the latest stimulus payment? If your adjusted gross income (AGI) under \$75,000 and if you're married earning under \$150,000 are eligible to receive the full \$1,400 or \$2,800 payment, respectively. After those limits, you may face steep income phaseouts. Individuals earning \$80,000 or more and married couples earning \$160,000 or more get no rebate. **If you did get a stimulus check, continue reading for these 11 tips to help maximize your stimulus benefits.**

- 1. You should file your 2020 returns ASAP if your income was lower than in 2019.** Many people have lost their jobs, been furloughed, had a business they had to shut down for at least part of 2020, or didn't get a bonus they normally get due to the pandemic. Recovery rebate checks are based on the most recent tax return on file.
- 2. If you made less in 2019 than in 2020 you should delay filing your 2020 taxes.** You should wait to file until you get the recovery rebate check in your hands based on your 2019 tax returns.
- 3. Make sure you don't wait too long to file your 2020 tax returns.**
If you didn't qualify for a rebate based on your 2019 taxes but qualify for 2020, you should file your 2020 return by the additional payment determination date. That date will fall 90 days after the 2020 tax filing deadline or Sept. 1, whichever is earlier. If you received a rebate based on 2019, and your 2020 income is lower, the IRS will send a rebate for the difference. In either case, you must use extreme caution not to miss that determination date or you will miss out.
- 4. If you earn less in 2021 than 2019 or 2020, you will get a tax credit.**
If you file a 2021 tax return and your AGI is lower than 2019 or 2020, the IRS will provide a Recovery Rebate credit.
- 5. 2020 is the year of MFS — married filing separately.** This year is one of the few times in which if you're married it may be better off filing separate returns.
- 6. Get creative about reducing income in 2021.** If possible, it might make sense for you to take off the entire month of December to take an extended vacation — and maybe even the last two weeks of November too — and skip a month of payment to get under the AGI threshold. It may also make sense to make a bigger retirement contribution this year or delay a bonus to get under the threshold.
- 7. You may qualify for a larger Child Tax Credit this year.** The American Rescue Plan significantly expands the Child Tax Credit, from \$2,000 to \$3,000 (and up to \$3,600 for kids under 6). There is also a slightly higher age threshold that will allow 17-year-old children to qualify in 2021 and a new system that will pay part of the credit in advance over the last six months of the year, and another set of phaseout thresholds (\$75,000

for individuals and \$150,000 for married couples) for the new credit amount. But the original \$2,000 base amount of the credit still phases out at higher thresholds of \$200,000 and \$400,000, respectively.

8. **If you lost your job you may want to take another look at your returns.** It may make sense for you to file an amended or superseding tax return before the tax deadline if you already filed before finding out that \$10,200 in unemployment compensation received in 2020 will be tax-free. Premiums for such coverage are to be paid by the former employer and are reimbursable to the employer in the form of a refundable payroll tax credit.
9. **You may qualify for more health insurance assistance.** If you lost a job know that health insurance via COBRA will be available to you and your families at no cost through September. The new provision also provides a 100% tax credit to employers to offset the cost of COBRA coverage for 3 months for any employees who are involuntarily unemployed. There are also increases in the Premium Assistance Tax Credit for anyone buying health insurance from the state exchanges this year.
10. **Student debt forgiveness gets a tax break.** Section 9675 of the American Rescue Plan Act amends Section 108 of the Internal Revenue Code to exclude the discharge of student debt from income. However, the debt must be forgiven between 2021 and 2025.
11. **If you need a PPP loan you should file ASAP.** There is no extension of the Paycheck Protection Program in the American Rescue Plan Act, so if you should apply for a PPP loan you will need one by the March 31 deadline.

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