



Crystal Clear Tax Solutions Inc

"Helping you put the pieces together"

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President Biden just signed the American Rescue Plan, and there are some time sensitive things you should understand, as my client.

If you need assistance, we are tracking all of this for our clients.

This is not a comprehensive message about the bill. This is simply about the components of it that might affect your actions in the next few days and weeks.

Let's dive in...

Stimulus Payments

(and how they might impact your tax paperwork)

The stimulus in this bill is structured differently from previous stimulus programs: This bill offers **1,400 dollars per taxpayer and dependent (with significant income limitations)**.

Here are the differences:

1) Previously, if you had a child over 16, or an adult dependent, they would not qualify to be included in your payment. In this round, you'll receive a payment for yourself and each dependent -- depending on your income.

2) **The income "phase out" for this is significant and steep.** In previous rounds, the phase out was much more gradual. The phase out began at the same numbers (75K for individual, 150K for joint-filed return, and 112,500 for HOH), but *they were so gradual that it didn't significantly impact filing decisions.*

Now, under the ARP -- **you will NOT receive these payments if your income is anything over 80K for individuals or 160K for joint.**

How This Might Impact You NOW

We want to maximize your stimulus. And once the IRS issues you a stimulus payment, it's yours. TIMING matters, and so might how you file (in certain unusual cases).

TIMING:

If your 2020 income increased versus 2019 ...

- If it didn't take you over the phase out thresholds, there is nothing needed for you to think about.



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- If it brought your AGI above the phaseout thresholds (especially if over the 75K or 160K joint), and you have not filed your return: **we will be waiting to file it until after you receive your stimulus.**

If for some strange reason you are reading this and you are NOT our client, I urge you NOT to file until you receive payment.

- If your increase brought your AGI above these thresholds, and you have already filed ... I am sorry :(**The IRS goes by the most recently-filed information for these decisions.**

Congratulations on your income increase ... and let's work on other ways to reduce your tax obligations in the future.

If your 2020 income decreased versus 2019 ...

- If your income was already under the phaseout thresholds, you will not be affected -- you will receive the stimulus no matter what.
- If your income decreased *below* the thresholds (i.e. your income in 2019 was above 75K or 150K filing joint and now it is below), **you do NOT have to rush to get your return in.**

The way this bill works is that there are two phases of how these stimulus payments will be distributed. In phase 1, the IRS will take the data it already has and pay out of that. If you didn't file a return in 2019 or 2020, you will not get a stimulus. But fret not ... in phase 2, there will be a second date on which the IRS will calculate stimulus payments. This will be for those who had an income decrease. That date will be the earlier of **90 days after the tax deadline day (whatever it might be -- more on that later), or September 1.**

So as long as we get your taxes filed on time, you WILL get it. You do not have to FILE YOUR TAXES RIGHT NOW.

I repeat, you do NOT need to panic to file your taxes in the next few days. If your 2020 income qualifies you for the stimulus, but your 2019 did not, you WILL (eventually) receive the stimulus.

[Here is where you can check your status.](#)

"When Will I Get My Stimulus?"

Unclear, but likely these will begin by the end of this month for those who already are under the thresholds and qualify.

For the rest, it will be after the second phase that I already mentioned.



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Unemployment Now (Partially) Non-Taxable (for most)

This is another significant change: the first 10,200 of unemployment benefits are now nontaxable -- but only for those whose income is below 150K.

This is a very real benefit for many, probably meaning about 1,500 in savings. But the timing on this will take some time because the IRS will have to issue guidance.

If you know anyone who has unemployment who has already filed their return, it is likely that they might have to amend ... but not necessarily. We are waiting for guidance from IRS before we can move on this.

Advanced Premium Tax Credit Repayment

This one is a little unclear at the time of this publication, but it seems that there may be a change for those of you who have filed your 2020 tax return and had to pay back part or all of the health insurance premiums that were covered under Obama Care marketplace insurance's Advanced Premium Tax Credit. More to come on this as the new law of the ARP unfolds!

There are (obviously) many more elements to this bill, and this email is not comprehensive.

There are changes to child tax credits, earned income credits, and more. All of these changes will be integrated into your future return preparations with us.

In the meantime ... know that we are in your corner.

God Bless,

Crystal & Staff

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**none of the information contained here is presented to be used to avoid tax related obligations including penalties. Please seek advice from your tax advisor for your specific situation.