



The American Rescue Plan Act of 2021

What is in the New Law? What Does It Mean for You?

On Thursday, March 11, 2020 President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021 (“ARP”).

The bill was narrowly approved by the House of Representatives with a vote of 220 to 211, with one Democrat joining all Republicans in voting against it. It passed the Senate with a 50 to 49 vote, also along party lines. The Biden Administration used the Senate’s reconciliation process to push the bill through the chamber since it avoids a filibuster and only requires a simple majority vote. This legislation will bring economic relief to workers and businesses that have been impacted by the Covid-19 Pandemic. As of February 28, 2021, 10 million individuals were still unemployed¹ and 40% of small business have closed since January 2020.²

The ARP will also extend economic relief to the middle class. An analysis by the Tax Policy Center, estimates that middle income families, those making \$51,000 to \$91,000 per year, will see their after-tax income rise by 5.5% as a result of the tax changes and stimulus payments in the legislation. The Tax Policy Center report also stated benefits for the middle class will be twice as generous as what they received under the Trump Administration’s 2017 Tax Cuts and Jobs Act. A household of five earning \$150,000 of income should expect to receive \$10,000 in aid this year.

Since the start of the pandemic, the U.S. has provided about \$6 trillion in total economic relief to Americans in the form of federal spending, tax cuts, loans, grants, and subsidies.³

The following provides a summary of the key components of the ARP: ⁴

- **\$410 billion economic impact payments**
 - Up to \$1,400 stimulus checks for adults and any dependent
 - Phaseout for individuals earning up to \$75,000 to \$80,000
 - Phaseout for married filed jointly earning \$150,000 to \$160,000

- **\$350 billion state and local government aid**
 - It is estimated that state and local governments will be short of their budget estimates through the end of calendar 2021 by about \$270 billion⁵

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- The money will be used to replace revenue from lost economic activity, enables operating budgets to stay intact, capital budgets continue to flow, and ensures that state and local governments can undertake the normal amount of economic activity they otherwise would have.
- \$22 billion rental assistance
 - **This is in addition to California’s COVID-19 Rent Relief program, which allows landlords who participate to get reimbursed for 80% of an eligible renter’s unpaid rent for the period between April 1, 2020 to March 31, 2021 if they agree to waive the remaining 20% of unpaid rent during that time period. Eligible renters whose landlords choose not to participate may apply on their own and receive 25% of unpaid rent between April 1, 2020 to March 31,2021. Paying this 25% by June 30, 2021 can help keep people in their homes under the extended eviction protections within this program.**
- **\$289 billion expanded unemployment insurance (“UI”) and unemployment insurance tax exemption**
 - Extends federal unemployment benefits that were going to end on March 14, 2021 to September 6, 2021
 - Maintains the federal supplement at its current level of \$300 a week for weeks beginning after March 14, 2021 and before September 6, 2021
 - Provides 53 weeks of federal UI benefits after state benefits end (up from 24 weeks)
 - Waives tax liability for up to \$10,200 of unemployment insurance to reduce the issue of surprise tax bills
- **\$268 billion transportation and infrastructure, financial services, and other education and labor**
 - \$50 billion for FEMA (Federal Emergency Management Agency)
 - \$30 billion transit emergency grants
- **\$135 billion child tax credits**
 - Increased annual child tax credit to \$3,000 (from \$2,000) or \$3,600 if child is under 6.
 - As with the stimulus payments, the expanded credit will phase out for individuals making more than \$75,000 and married couples earning more than \$150,000. The existing credit tops out for individuals earning more than \$200,000 and couples earning more than \$400,000.
 - The current credit is worth 20% to 35% of eligible expenses with a maximum value of \$2,100 for two or more qualifying individuals. The stimulus bill increases that amount to \$4,000 for one qualifying individual or \$8,000 for two or more. The value of the credit will be calculated by taking up to 50% of the value of eligible expenses, up to certain limits, depending on household income. The law would begin to reduce the credit below 20% for households with income of more than \$400,000.

- **\$129 billion K-12 schools financial aid**
 - Help schools reopen safely
 - Improved ventilation
 - Hiring extra janitors
 - Distributing Personal Protective Equipment (PPE)

- **\$122 billion energy commerce, including COVID-related spending**
 - \$70 billion for COVID vaccination and testing
 - \$20 billion for vaccine distribution
 - \$50 billion for increased COVID testing, contact tracing, and mitigation

- **\$86 billion pension plan bailout**
 - Bails out 185 unique pension plans that are close to collapsing (even though they were close to collapsing before the pandemic occurred)
 - Covers about 10.7 million active and retired workers and will cover their pensions for 30 years.

- **\$81 billion expanded premium tax credits and health benefits for workers**
 - \$34 billion to strengthen the Affordable Care Act (ACA) and health care premiums
 - Significant increase in subsidies for middle-income Americans who buy private health insurance on ACA marketplace
 - Citizens should see health insurance premiums reduced by about 50% for next two years. According to the Congressional Budget Office, a 64-year-old earning \$58,000 would see monthly payments decline to \$412 from \$1,075 under current law.
 - The legislation will now make upper-middle-income Americans eligible for aid to buy plans on the government exchanges, and premiums for those plans will cost no more than 8.5% of an individual's modified adjusted gross income.
 - Unemployed workers utilizing COBRA to stay on company health care plans will have their premiums paid for by the government until September.

- **\$50 billion small business assistance**
 - \$28.6 billion in grant relief specifically for restaurants

- **\$43 billion foreign affairs, veterans' affairs, and agriculture**

- **\$24 billion child and dependent care tax credit, and other tax credits**

This summary is a brief overview of the new ARP legislation recently approved by Congress.

Footnotes:

¹Department of Labor Unemployment Insurance Weekly Claims report 03/11/21

²Joe Brusuelas, Chief Economist, RSM Consulting; NPR Marketplace 03/11/21

³Committee for a Responsible Federal Budget COVID Money Tracker

⁴Summary of key components were compiled from the following sources:

- J.P. Morgan North America Economic Research, “The political debate is over, the economic one continues”, 03/10/21
- NYT, Alan Rappeport, “New Stimulus Package Brings Big Benefits to the Middle Class”, 03/10/12
- NYT, Giovanni Russonello, “On Politics: What Does \$1.9 Trillion Buy?”
- Tax Foundation, Garrett Watson; “The American Rescue Plan Act Greatly Expands Benefits through the Tax Code in 2021”, 03/12/21
- Time, Alana Abramson, “Congress Passed a \$1.9 Trillion COVID-19 Relief Bill. Here’s What’s In It.”, 03/07/21
- Vox, Li Zhou and Emily Stewart, “The Senate just passed the \$1.9 trillion stimulus package, Here’s what’s in it.”, 03/06/21

⁵Bloomberg The Tape, Michael Zexas, Chief U.S. Public Policy & Municipal Strategist for Morgan Stanley, 03/11/21

This information was compiled by Ginsburg Financial Advisors.

Unless otherwise noted, financial data are as of March 15, 2021.

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