



January

Highlights of the New Relief Package

The U.S. Congress passed in December, and former President Trump signed, the 5,593-page Consolidated Appropriations Act of 2021—and experts are still mulling over what the impact will be on ordinary citizens. There are stimulus checks, tax planning relief provisions and a break for people who experience high medical expenses during the pandemic. There's even a new paycheck protection program extension to think about.

Here's what we know so far.

First, new legislation provides for so-called "stimulus" checks, with a "base" credit of \$600 per eligible individual plus \$600 more for any dependent child (technically, any children for whom a Child Tax Credit may be claimed). But, as with the CARES Act, eligibility starts phasing out for individuals earning more than \$75,000 of adjusted gross income, or joint filers with over \$150,000 AGI. These phaseouts are based on the 2019 tax return, which seems unfair since the economic hardships the bill was designed to address took place in the final three quarters of 2020. But if the taxpayer's 2020 income calculation indicates a larger check amount, the government will issue an additional check to make up the difference. (If someone receives a stimulus check based on 2019 income, and then reports higher 2020 income that would make that person ineligible to receive the check, there will be no requirement to pay money back to the government.)

The new legislation also extends regular unemployment compensation benefits for an additional 11 weeks and adds \$300 a week to the unemployment checks. So-called "pandemic unemployment assistance" for individuals who wouldn't normally qualify for unemployment benefits (such as self-employed persons) was also extended for 11 more weeks. Note that the \$300 a week and 11 weeks is lower than the \$600 a

week and four-month extension passed in the CARES Act.

On the tax front, the hurdle for deducting medical expenses in any given year was reduced from 10% to 7.5%, meaning that anything over that percentage of adjusted gross income would now be deductible on your next tax return. And the bill extends a provision from the CARES Act relating to charitable deductions. People can take a full deduction up to 100% of their AGI for any cash donation to a public or private charity (but not a donor-advised fund).

Congress did not, in the bill, extend the temporary waiver of required minimum distributions, which means that people over age 72 will have to resume taking their RMDs in 2021.

What else is buried in those 5,593 pages? Taxpayers will be able to use their 2019 earned income to determine eligibility for the 2020 earned income tax credit and additional child tax credit. Business lunches and dinners have become 100% deductible for 2021 and 2022. And the bill creates a second round of the Paycheck Protection Program forgivable loans, with \$284 billion set aside.

Finally, the bill provides funding for the federal government's operations for another nine months.

Sources:

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Vaccine Progress by State

Chances are, unless you're a healthcare worker or living in a nursing home, you are still waiting for the opportunity to get vaccinated against the dreaded COVID-19 virus. And you might be wondering how effectively your state is managing the vaccination rollout.

You don't have to wonder; a website is now closely tracking the total number of COVID vaccines administered, by state, and more importantly the doses administered per 100 people.

You can see the current results [here](#), and your first impression might be a bit of discouragement. Predictably, the states with the highest population—Texas, California, Florida, New York— have administered the most total doses. But when you look at the percentage of the population that has been vaccinated, the numbers are still pretty low. As of January 26th, Alaska leads the nation with 11.10% of the population having received at least the first dose of the vaccine, followed by West Virginia (9.35%), New Mexico (8.18%), Connecticut (8.17%), North Dakota (7.63%), District of Columbia (7.28%), South Dakota (7.24%), Oklahoma (7.20%), Vermont (7.05%), Florida (6.58%), Arkansas (6.52%), Louisiana (6.49%), Colorado (6.46%), New York (6.40%), Wyoming (6.29%), Kentucky (6.26%) and Oregon (6.21%).

The vaccination laggards include Missouri (4.27%), Idaho (4.39%), Kansas (4.54%), Alabama (4.57%), Nevada (4.58%), Wisconsin (4.60%), Illinois (4.66%) and Arizona (5.03%).

The charts also show the percentage of state citizens who have been fully vaccinated (received two doses), and of course the numbers are all below 2.5%. Finally, you can scroll down and see the number and percentage of residents receiving the vaccine administered each day, currently, in each state; Alaska (0.62%), New Mexico (0.59%) and Georgia (0.48%) are the leaders. The conclusion is that we still have a long way to go.

Source:

<https://ourworldindata.org/us-states-vaccinations>



Tax Bill Will Wait

The Biden Administration has made some proposals that would affect our taxes, prominently including a complete rollback of the 2017 tax cut for taxpayers with income above \$400,000. The plan would also tax capital gains at the same rates as ordinary income for people with more than \$1 million in income. The corporate tax rate would rise from 21% to 28%. The estate tax exemption would drop by about 50%, and the proposal would eliminate the step-up in basis on assets held at death. (There is talk about student debt forgiveness, but it is not in the current bill under discussion.)

But the first priority in Congress appears to be the \$1.9 trillion coronavirus relief proposal, which includes direct payments of \$1,400 per person, and includes a number of tax provisions. The bill would expand the child tax credit (from \$2,000 to \$3,000 per child or \$3,600 for each child under 6) and child tax credit (up to 50% of all child care expenses for children under 13, up from \$3,000 to \$4,000 for one child and up from \$6,000 to \$8,000 for multiple children). The Earned Income Tax Credit would be expanded as well; currently, only those making \$16,000 or less qualify for the credit, but the relief bill would raise the cap to \$21,000, and expand eligibility to workers 65 and over.

To pass any tax increases, the incoming President would need to gain the support of every single Democratic Senator to pass any tax legislation. And some Democrats—including Joe Manchin of West Virginia—are questioning the wisdom of raising taxes when the U.S. economy is still recovering from recession. So, we will need to watch the political winds and examine the actual bills as they move through Congress before we can make any recommendations.

-Bob Veres

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