



American Families Plan Would Provide Benefits for Some, More Taxes for Others

On April 28, 2021, the White House released a fact sheet for President Biden's American Families Plan (AFP), which proposes about \$1 trillion in investments and \$800 billion in tax cuts. There would also be tax increases for those making more than \$400,000 per year. Major provisions proposed in the plan are summarized here, including some tax provisions.

Education

The AFP proposes the following:

- Free universal pre-school for all three- and four-year olds.
- Two years of free community college.
- Increased assistance to low-income students by raising the maximum Pell Grant award that pays for college education by about \$1,400.

Child care

Low- and middle-income families would pay no more than 7% of their income on child care.

Nutrition

Summer and school meal programs would be expanded for low-income families.

Unemployment insurance

Funds would be provided for unemployment system modernization, equitable access, and fraud prevention. The plan proposes to automatically adjust the length and amount of unemployment insurance benefits depending on economic conditions.

Paid leave

A national comprehensive paid family and medical leave program would be created and scaled in over a 10-year period.

Health insurance


- The American Rescue Plan Act of 2021 (ARPA 2021), enacted in March 2021, provided that persons who bought their own health insurance through a government exchange might qualify for a lower cost through December 31, 2022. The AFP would make that provision permanent.
- The AFP would also lower prescription drug prices by letting Medicare negotiate prices.
- In addition, the AFP would create a public option and the option for people to enroll in Medicare at age 60.

Child tax credit

ARPA 2021 made the following temporary changes to the child tax credit. For 2021, the credit amount increased from \$2,000 to \$3,000 per qualifying child (\$3,600 for qualifying children under age 6), subject to phaseout based on modified adjusted gross income. The legislation also made 17-year-olds eligible as qualifying children in 2021. For most taxpayers, the credit is fully refundable for 2021 if it exceeds tax liability. The Treasury Department is expected to send out periodic advance payments (to be worked out by



The [American Families Plan](#) includes \$1.8 trillion in proposed investments and tax credits for American families and children over a period of 10 years, as well as tax increases for those who earn more than \$400,000 annually.



the Treasury) for up to one-half of the refundable credit during 2021.

The AFP would make permanent the full refundability of the child tax credit, and extend the other child tax credit provisions through 2025. Longer term, the plan would seek to make all these provisions permanent.

Child and dependent care tax credit

ARPA 2021 made the following temporary changes to the child and dependent care tax credit. For 2021, the legislation increased the maximum credit up to \$4,000 for one qualifying individual and up to \$8,000 for two or more (based on an increased applicable percentage of 50% of costs paid and increased dollar limits). Most taxpayers will not have the applicable percentage reduced (can be reduced from 50% to 20% if AGI exceeds a substantially increased \$125,000) in 2021. However, the applicable percentage can now also be reduced from 20% down to 0% if the taxpayer's AGI exceeds \$400,000 in 2021. For most individuals, the credit is fully refundable for 2021 if it exceeds tax liability.

The AFP would make these provisions permanent.

Earned income tax credit

In addition to some other changes to the earned income tax credit (some temporary, some permanent), ARPA 2021 made the following temporary changes to the earned income tax credit for 2021. The legislation generally increased the credit available for individuals with no qualifying children (bringing it closer to the amounts for individuals with one, two, or three or more children which were already much higher). For individuals with no qualifying children, the minimum age at which the credit can be claimed was generally lowered from 25 to 19 (24 for certain full-time students) and the maximum age limit of 64 was eliminated (there are no similar age limits for individuals with qualifying children).

The AFP would make these provisions permanent for individuals with no qualifying children.

Increase in top tax rate on wealthiest taxpayers

The AFP would raise the top income tax rate on individuals back up to 39.6%, applying only to the top one percent. The 39.6% rate would also apply to the capital gains and dividends of households making over \$1 million (the top 0.3 percent).

Stepped-up basis

The tax basis of most property is stepped-up (or down) to fair market value when an individual dies. The AFP would eliminate this step-up in basis for gains in excess of \$1 million (\$2.5 million per couple when combined with existing real estate exemptions). There would be provisions designed with protections for family-owned businesses and farms.

Like-kind exchanges

Current tax law allows real estate investors to defer taxes when they exchange property. The AFP would eliminate the tax deferral on like-kind exchanges for gains greater than \$500,000.

IMPORTANT DISCLOSURES

The information presented by Endowment Wealth Management, Inc. is not specific to any individuals personal circumstances and should not be taken as personal investment advice, nor should it be construed as a firm recommendation.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice. If you have any questions please call our offices at 920-785-6010.

Investments involve risk and unless otherwise stated, are not insured or guaranteed. *Past performance is no guarantee of future results.* A copy of Endowment Wealth Management Inc.'s disclosure document, Form ADV Brochure Part 2, is available upon request.