



# CONSOLIDATED APPROPRIATIONS ACT OF 2021: KEY POINTS FOR FINANCIAL PROFESSIONALS

On December 27, 2020, the [Consolidated Appropriations Act of 2021](#) (CAA 2021) was signed into law. CAA 2021 extends some popular aspects of the Coronavirus Aid, Relief, and Economic Security ([CARES](#)) Act and expands several provisions. There also are some important items not included.

CAA 2021 has provisions that may impact conversations with clients. Let's review a few key points in the bill.

## More checks for some

CAA 2021 provides for direct payments of \$600 to individuals and qualifying children. While these payments are similar to the earlier [recovery rebates](#), there are some differences.

- 1. Amount.** The payment is \$600 per individual, with payments available for dependent children younger than age 17. This time, there is no cap on household size, so a married couple with seven children younger than age 17 could receive \$5,400 – that is, \$600 for each person.
- 2. Payment type.** The payment is an advanced tax credit based on 2019 income. If 2019 income is over the limit, the individual will not receive a check. However, the individual may receive payment when he/she files a 2020 tax return.
- 3. Phase-out.** For those filing Single, the phase-out begins at \$75,000. For those Married Filing Jointly, it starts at \$150,000. The phase-out reduces the payment

by 5% (\$5 for every \$100 over the threshold amount). How much the total is reduced depends on the size of the family. For a couple, the phase-out applies to \$1,200 (2 times \$600). For the family of seven, the phase-out applies to \$5,400. The phase-out calculation means that more clients with higher incomes may still be eligible for payments.

## Charitable giving continues

Two popular charitable-giving options continue, and one is improved for married couples who file jointly.

- 1. Above the line.** The “above-the-line” [charitable deduction](#) is extended through December 31, 2021. For 2021, the amount continues to be \$300 for Single filers, but increases to \$600 for Married Filing Jointly.
- 2. Give income away.** In 2021, tax-filers can still make cash [contributions to a public 501\(c\)\(3\) charity](#) and claim a deduction of up to 100% of adjusted gross income (AGI). Note that donor-advised funds (DAFs) are not included, nor are 509(a)(3)-supporting organizations.

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### [Flexible Savings Accounts \(FSAs\) may roll.](#)

Many clients have FSAs through their employers. Normally, funds in these accounts must be spent during the calendar year or forfeited. CAA 2021 permits the plan to roll remaining balances for 2020 into 2021 without being disqualified. 2021 balances may be rolled into 2022. If there is a grace period, the plan will not be disqualified for extending the grace period to December 31. For those with unused balances for items such as childcare, this provision will preserve dollars for future years.

### [Business lunches may be back](#)

For the years 2021 and 2022, the deduction for business meals is expanded to 100% of the cost of beverages and food provided by a restaurant. CAA 2021 does not mention “dine-in” or “take-out,” so it appears that both qualify. This should provide a nice boost to an industry that was hard-hit by the pandemic.

### [Permanent floor for the medical expense deduction](#)

The Tax Cuts and Jobs Act of 2017 temporarily reduced the [medical expense deduction](#) floor from 10% to 7.5% of [AGI](#). CAA 2021 makes this reduction permanent for all tax-filers, regardless of age.

### Two items that are not in the bill:

1. [RMDs](#) are back. CAA 2021 does not mention waiving RMDs for 2021. While future legislation could change this, for now, RMDs are back along with [appropriate planning](#) for them.
2. **Student loan payments are back too.** CAA 2021 also does not mention extending the waiver of student loan payments. While additional legislation could affect this, it is likely best to plan for payments to start again in 2021.

The good news is that employers still can help. Employers may pay up to \$5,250 of an employee's student debt. This payment is considered tax-free to the employee. There are limits. No more than 5% of the assistance can be for shareholders who own 5% or more in the company, their spouses, or their dependents. This provision is extended through 2025.

While CAA 2021 covers 5,000+ pages, the above items are likely to be of interest to many of your clients. They also will help you plan for good client outcomes, at least until the next act—whatever it might be—is passed!

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## Additional Resources and Links

[Special \\$300 tax deduction helps most people give to charity this year – even if they don't itemize](#)

[Giving More Than 60% of Income to Charity](#)

[CARES Act](#)

[Managing IRA RMDs with QCDs and Roth Conversions](#)

[Managing IRA RMDs with QCDs, Roth conversions, and QLACs](#)

[What is your client's RMD plan?](#)

[What Do I Need to Know About the CARES Act](#)

For additional information, please contact  
the Retirement Strategies Group at (800) 722-2333, ext. 3939,  
or email [RSG@PacificLife.com](mailto:RSG@PacificLife.com).  
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