

# Tax Changes in the House Version of the Build Back Better Act

Written By: Ben Kaup

Last week the House passed their version of the Build Back Better Act by a final vote of 220-213. The Senate will now determine this bill's fate where it may be changed in part or not passed altogether. The congressional Budget Office released its opinion on the total cost of this bill totaling almost 1.7 Trillion over 10 years. Their estimate is that it will add \$367 Billion to the federal deficit over those ten years as well. To make up this deficit there were many tax provisions to increase revenue. I will go through some of the provisions affecting many of our clients below.

## Additional Child Tax Credit Extension

The changes made to the child tax credit for 2021 will be extended throughout 2022. This equates to an increase from \$2,000 to \$3,000 per child over 5 and to \$3,600 per child under five. The bill also requires the IRS continue to pay these credits in advance as they started in mid-2021. You are eligible to opt out of the advance payments if you want. Taxpayers whose Adjusted Gross Income exceeds 150,000 for joint filers, 112,500 for heads of household, or 75,000 for single filers are ineligible for the advance payments.

## Increase in State and Local Tax Deduction Cap

For higher income individuals whose state and local taxes exceed the current cap of 10,000 this will be a welcome provision. The cap on this deduction is being increased to 80,000 from 10,000 for married taxpayers and to 40,000 from 10,000 for single taxpayers. This provision does not raise revenue for the feds but does help higher income taxpayers in states with high income taxes.

## Extension of the expanded Earned Income Credit

The changes made that expanded the earned income tax credit in 2021 will be extended through 2022. The changes in 2021 allowed for an increase in the income allowed to receive the credit. These higher limits will continue into 2022 and will be indexed for inflation.

## Expansion of the Premium Tax Credit

The bill allows for higher income individuals to still qualify for Premium Tax Credits on health insurance purchased through the Affordable Care Act Exchange. The change would extend to 2025 and allow those with incomes above the current 400% threshold to qualify for premium assistance via a tax credit.

There are many more tax provisions in the house bill, but these are the few that will have an effect on a many taxpayers. The bill is yet to make it through the Senate, but the House bill will serve as the framework for debate. If a final bill is passed in the Senate and signed by the President, we will give a final update on the changes.

Thanks,

Ben Kaup, CPA

Kaup's Financial Advisors, Inc.  
PO Box 265 - 113 N Main Street  
Stuart, Nebraska 68780  
Phone: 402-924-3607  
Fax : 402-924-3609

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