



# Consolidated Appropriations Act, 2021

**COVID-19  
UPDATE**

December 22, 2020

## **SPECIAL REPORT**

### **Congress Passes Additional Relief Bill for COVID-19**

On December 21, 2020, the House and Senate passed a \$900 billion relief bill for the ongoing Covid-19 pandemic and economic stimulus. The bill is now headed to the President for his approval. The Act includes several extensions of the previous COVID-19 relief provisions that were set to expire, a second round of Paycheck Protection Program (PPP) Loans including clarification of the deductibility of related expenses, and a new round of Stimulus Payments to many Americans.

#### **PAYCHECK PROTECTION PROGRAM (PPP) LOANS**

##### **Treatment of Business Expenses**

The Act ensures the deductibility for business expenses paid for with forgiven PPP loans, superseding previous IRS guidance to the contrary. The bill clarifies that “no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied by reason of the exclusion from gross income provided” under the Cares Act.

##### **Additional PPP Loan Funding**

The Act provides funding for additional PPP Loans including loans for first-time appliers and a second round of loans for businesses facing severe economic shortfalls due to the pandemic. This additional round of PPP funding includes making loans available to Not-for-Profits, including churches. Businesses may apply for a second PPP Loan provided they have 300 or fewer employees, have used or will use the full amount of their first PPP loan and can show a 25% gross revenue decline in any 2020 quarter compared with the same quarter in 2019. The new round of PPP loans are limited to \$2,000,000.

##### **Forgiveness Application**

The Act mandates a new 1-page loan forgiveness form for PPP loans that are less than \$150,000.

#### **STIMULUS PAYMENTS**

The Act includes additional direct payments to taxpayers in an effort to further stimulate the economy. The new round of stimulus payments includes \$600 payments to individuals and \$1,200 to joint filers with an additional \$600 per dependent. These payments are subject to phase out for individuals with gross income over \$75,000 (\$150,000 for joint filers) and will be considered a credit against a taxpayer’s 2020 income tax.

## **EXTENSION AND MODIFICATION OF COVID RELIEF**

### Deferred Payroll Taxes

The Act extends the “payback period” to December 31, 2021 for the deferred employees share of payroll taxes allowed under prior relief. The previous “pay back” period was due to expire on April 30, 2021.

### Teacher Expenses

The Act provides that certain expenses related to personal protective equipment and other supplies used by teachers to prevent the spread of Covid-19 qualify for the above-the-line educator expense deduction.

### Tax Credits

The Act extends the employer credit for paid sick and family leave originally created under the Families First Coronavirus Response Act. The covered period is now extended to March 31, 2021. The Act increases the Employee Retention Credit percentage to 70% and extends the employee retention tax credit to apply to compensation paid to a covered employee through June 30, 2021.

### Business Meal Deduction

The Act temporarily increases the deduction for business meals provided by restaurants to 100% through the end of 2022.

### Charitable Contributions

The Act includes an extension through 2021 to temporary changes to the limitation on charitable contributions in order to encourage support to charities. The limitation is increased to 100% of adjusted gross income for individuals and 25% of taxable income for corporations.