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New COVID-19 Aid Package Contains \$900 Billion in Federal Funding and Tax Breaks

After months of negotiations in Washington, Congress reached agreement on a new \$900 billion aid package to address the ongoing fallout from the COVID-19 pandemic. The Consolidated Appropriations Act of 2021 (CAA), which Congress approved on December 21 and President Trump signed on December 27, expands and extends several critical provisions of last spring's CARES Act. The CAA contains numerous individual, business, payroll, disaster, and energy-related tax provisions, as well as tax extenders.

Below is a broad overview of some of the bill's provisions that may affect you or your business.

Key Provisions for Individuals, Businesses, and Employers

Individuals

- Additional payments (called recovery rebates) of \$600 for individuals earning up to \$75,000 per year and \$1,200 per married couple filing jointly with income up to \$150,000 per year (based on 2019 tax returns) — with payments phased out at \$99,000 and \$198,000 respectively — plus \$600 per qualifying child
- An additional \$300 per week in unemployment benefits, including for the self-employed, gig-economy workers and others in nontraditional employment, through March 14, 2021, with the maximum period for state-paid benefits extended to 50 weeks
- An extended eviction moratorium
- Federal rental assistance for families affected by COVID-19, applicable to past due rent, future rent payments, and utility and energy bills
- Clarification that money purchase pension plans are included among the retirement plans subject to temporary relief measures under the CARES Act (for example, waiver of penalties on COVID-19-related early distributions)
- Potentially larger earned income tax credits and child tax credits for some taxpayers
- Loosened requirements for medical expense deductions beginning in 2021
- Extended expansion of charitable contribution tax deductions for non-itemizers through 2021
- An extended exclusion for certain employer payments of student loans
- New rules for disaster-related distributions from retirement plans

Businesses and Other Employers

- New funding for first-time and so-called “second draw” forgivable loans to eligible businesses under the Paycheck Protection Program (PPP), with dedicated set-asides for very small businesses and lending through community-based financial institutions
- Expanded PPP-eligible expenses (for example, certain operating expenses, property damage costs, supplier costs, and worker protection expenses)
- Expanded PPP eligibility for nonprofits, local newspapers, and TV and radio broadcasters
- Clarification of tax treatment for PPP loans, certain loan forgiveness and other financial assistance under COVID-19 legislation; allowance of deductible expenses paid with PPP loan proceeds
- New targeted Economic Injury Disaster Loan grants from the Small Business Administration (SBA) for businesses in low-income communities
- Continued SBA debt relief payments
- Dedicated funding for live venues, independent movie theaters, and cultural institutions
- An extended and expanded retention tax credit for eligible employers that continue to pay employee wages during COVID-19 closures or after experiencing reduced revenue
- Extended tax credits for paid sick and family leave
- Extended mandatory paid sick and family leave for qualifying COVID-19-related reasons
- 100% business meals tax deduction for 2021 and 2022 for food purchased from restaurants
- Aid to farmers and ranchers
- Enhanced Low Income Housing Tax Credit
- Extended repayment period for deferred payroll taxes
- Extended Work Opportunity Tax Credit, New Markets Tax Credit, and Empowerment Zone tax incentives.

State Conformity: California presently does not conform to this new federal law and stimulus package.

Discuss the Details with Your Tax Advisor

We strongly encourage you to contact your Seiler tax advisor about how this legislation may affect your personal or business finances. Although we'll be writing more about how the legislation will affect individuals and businesses in the coming weeks, only your tax advisor can provide you with the personalized guidance you and your unique situation may require.