

What You Need to Know About the Second Stimulus Package

The Consolidated Appropriations Act, 2021, was passed by Congress, and subsequently signed into law by President Trump. The bill is over 5,000 pages and includes the COVID-Related Tax Relief Act of 2020, which contains provisions to provide relief for industries such as transportation, health care, and hospitality. The bill also includes funding for vaccines and virus testing. The focus of this article is on the various aspects of the bill related to taxes and their impact on both businesses and individual taxpayers. Below is a brief summary of the changes being implemented by this legislation.

Stimulus Payments

This bill includes a second round of individual stimulus payments of \$600 per eligible individual (\$1,200 for married filing jointly), plus \$600 for each dependent child under the age of 17. These payments are once again subject to adjusted gross income phase outs, beginning at \$75,000 for single individuals, and \$150,000 for a married couple filing jointly. The income limitation is calculated based on the taxpayer's 2019 tax return. The first stimulus payment may have been determined based on 2018 tax return filings; therefore, it is possible that individuals who received a stimulus payment in the first round will not receive one in this round.

Extension of Unemployment Benefits

This bill extends the Pandemic Unemployment Assistance (PUA) program to increase the number of weeks that an individual may claim unemployment benefits, from 39 weeks to 50 weeks. It also provides an additional \$300 per week for anyone receiving unemployment benefits through March 14, 2021.

Extension of Certain Deferred Payroll Taxes

President Trump previously issued a memorandum allowing employers to defer withholding employees' share of social security taxes from September 1, 2020, through December 31, 2020. Employers were then required to increase withholding and pay back the deferred amounts ratably from wages paid between January 1, 2021, and April 30, 2021. This provision extends the repayment period through December 31, 2021, and provides that penalties and interest on the deferred unpaid tax liabilities will not begin to accrue until January 1, 2022.

Changes to the Payroll Protection Program (PPP)

This bill includes several changes and additions to the PPP, including clarification that the expenses paid with forgiven PPP funds will be deductible by taxpayers. In addition, it has expanded the types of non-payroll expenses that are eligible for forgiveness and has streamlined the forgiveness process for loans of less than \$150,000. Finally, there is an

additional \$35 billion available for new borrowers, as well as a second round of loans available to previous borrowers, subject to certain eligibility requirements.

Extension of Credits for Paid Sick and Family Leave

The Family First Coronavirus Response Act provided for credits to certain employers that were required to pay employees while taking time off for Paid Sick and Family Leave for COVID-19 related illness or childcare. The credit was originally available through December 31, 2020. This bill extends these credits through March 31, 2021.

Extension of Employee Retention Credit

The Employee Retention Credit was only available for 2020 and was an offset to a taxpayer's payroll tax liability. It was originally 50% of the first \$10,000 of qualified wages paid to an employee during an eligible quarter, but has been increased to 70%. It has also been extended to July 1, 2021. In addition, a taxpayer may now claim the Employee Retention Credit and take out a PPP loan, whereas they were previously unable to do both.

Meals 100% Deductible in 2021 and 2022

In an effort to help the struggling restaurant industry, this bill now permits business meals provided by a restaurant to be 100% deductible in 2021 and 2022, as long as they meet all other deductibility requirements under Reg. Section 1.274-12.

Educator Expenses

The bill requires that personal protective equipment (PPE) and other supplies used to prevent the spread of COVID-19 qualify for the above-the-line deduction for educator expenses.

Certain Charitable Contributions Deductible by Non-Itemizers

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, taxpayers who do not itemize deductions are able to claim a deduction on their 2020 tax return of up to \$300 for charitable contributions paid in cash to a public charity. This bill increases that amount to \$600 for married taxpayers who file a joint tax return, and extends the deduction to include the 2021 tax year. In addition, the bill extends the provision of the CARES Act that increased the 60% limitation for deductible cash contributions to 100% for itemizing taxpayers through 2021.

The year 2020 has been like no other but we are here to help you navigate your tax situation.

Contact your ACT client service representative with questions about this bill and how it might impact your tax situation, or email us at info@actcpas.com.