

BURR ALERT

Key Tax Provisions of COVID Relief Bill

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Congress passed the [Consolidated Appropriations Act, 2021](#) (the Act) on December 21, 2020. The Act, which is 5,593 pages, contains a number of stimulus measures designed to address the economic impact of the coronavirus crisis. While the bill has not become law as of the date of this blog, it is expected to be signed by the President quickly and then become law. Key provisions of the Act include:

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- Under the [CARES Act](#), expenses paid with Paycheck Protection Program (PPP) proceeds could not be deducted if the PPP loan was forgiven. The Act now permits taxpayers to deduct expenses paid with PPP proceeds even if the loan is forgiven.
- Provides \$600 stimulus credits, in the form of advance tax credits, to individuals and for qualifying children (under 17). Phase-outs remain the same as the CARES Act stimulus payments, which will result in a quicker phase-out of the credit for taxpayers earning more than \$75,000 due to the reduced credit.
- Extended the expiration of the deferral option for payroll taxes authorized by Presidential Memorandum from December 31, 2020 to April 30, 2021 and the repayment deadline from April 30, 2021 to December 31, 2020.
- Clarifies that personal protective equipment purchases paid or incurred after March 12, 2020 qualify for the educator expense tax deduction.
- Clarifies that certain grants, including EIDL grants, are not included in income (and the forgiveness does not impact PPP loan forgiveness).
- Expands and extends the employee retention and rehiring tax credit, for wages paid after December 31, 2020, to cover wages paid through June 30, 2021, increases the credit from 50% to 70%, increases the compensation limit from “\$10,000 for all calendar quarters” to “\$10,000 for any calendar quarter,” and increases the eligibility threshold from employers with not more than 100 employees to employers with not more than 500 employees.
- The expiration date for tax credits for certain required paid sick and family leave has been extended from December 31, 2020 to March 31, 2020.

- Retroactively expands the permissible uses of PPP loan proceeds to include certain operating expenses, property damage costs, supplier costs, and worker protection expenditures.
- Permits certain businesses with no more than 300 employees who have had at least a 25% decline in year over year quarterly receipts at any time in 2020 to receive a second PPP loan.
- Permits existing PPP borrowers to request an increased loan amount if the loan hasn't been forgiven.
- Provides the minimum credit rate for the low-income housing tax credit is 4% for projects which receive an allocation after December 31, 2020.
- Renews and sets the New Markets Tax Credit national limits at \$5 billion for 2021-2025.
- Numerous changes and extensions of targeted credits and incentives (e.g. work opportunity credit, empowerment zone tax incentives, exclusion for employer payments of student loans, renewable energy extensions).

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