NEW COVID-19 RELIEF BILL IS FILLED WITH TAX PROVISIONS - CONSOLIDATED APPROPRIATIONS ACT OF 2021

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On December 21, 2020, Congress passed the much anticipated COVID-19 relief legislation (Consolidated Appropriations Act, 2021 ("CAA, 2021"), sending the bill to President Donald Trump to sign. This relief bill provides for stimulus checks to be mailed to many Americans, a second round of Paycheck Protection Program loans to provide relief for businesses, and numerous tax extenders and clarifications.

Tax Higlights of the Consolidated Appropriations Act

Here are some highlights of the key tax provisions included in CAA, 2021:

- **Business expenses** paid for with **PPP dollars** that are forgiven **ARE deductible**.
  - The new law clarifies the Congressional intent of the CARES act, contrary to IRS and Treasury's prior positions that these deductions would be denied.
  - Owners of S corporations and partnerships will receive a step-up in basis attributable PPP loan forgiveness in the year that the loan is forgiven. This will allow these owners to capture losses from pass-through entities but perhaps not until 2021 when forgiveness of

most loans will be confirmed by the SBA.

- **Business meals** are **100% deductible** (temporarily, in 2021 and 2022), so long as the meal is provided by a **restaurant**.
  - In 2023, the 50% limit on business meal deductions will go back into effect.
- **Employer Credit for Paid Family and Medical Leave.**
  - The new law extends **through 2025** the employer credit for paid family and medical leave, which permits eligible employers to claim an elective general business credit based on eligible wages paid to qualifying employees with respect to family and medical leave.
  - The **credit is equal to 12.5%** of eligible wages if the paid leave is equal to 50% of such wages. The credit is increased by 0.25 percentage points (up to 25%) for each percentage point that the paid leave amount exceeds 50%.
- **Charitable contributions** are deductible by non-itemizers.
  - Under the new law, for both 2020 and 2021, individuals may take up to a **$300 above-the-line deduction (available without itemizing deductions)** for cash contributions to qualified charitable organizations **($600 for married filers**). This applies to individuals who do not itemize deductions and thus would not otherwise be able to take advantage of a charitable contribution deduction.
- **Modification of limitations on charitable contributions.**
  - For 2020 and 2021, **100% of AGI** can be deducted for charitable contributions in cash.
  - Under the prior rules, individuals could take itemized deduction only up to 60% of their contribution base (generally adjusted gross income) on charitable contributions of cash.
- **Medical Expense Deduction Floor.**
  - The new law allows individuals to claim an **itemized deduction for unreimbursed medical expenses** to the extent that such expenses exceeded **5% of AGI**.
  - This provision was set to expire beginning in 2021.
- **Energy Efficient Commercial Buildings Deduction**
  - Taxpayers may claim a deduction for energy efficiency improvements to lighting, heating, cooling, ventilation, and hot water systems of commercial buildings.
  - This provision was set to expire beginning in 2021.
- **New Markets Tax Credit** extended through **2025**.
- **Work Opportunity Credit** extended through **2025**.
- **Exclusion from Gross Income of Discharge of Qualified Principal Residence Indebtedness.**
  - For tax years through **2025**, individuals may exclude from gross income discharge of indebtedness income from qualified principal residence debt, **increased to a $2 million limit** ($1 million for married individuals filing separately).