

COVID-19 Relief and Omnibus Appropriations Legislation

On December 21, 2020, the House and Senate leaders released a bill to provide nearly \$900 billion in relief to businesses and individuals in the U.S. The bill also provides funding for federal agencies for the fiscal year 2021. President Trump signed it into law yesterday.

Among its provisions, the bill provides:

Funds for Small Business:

- The agreement includes over \$284 billion for first and second forgivable PPP loans and expanded PPP eligibility for 501(c)(6) nonprofits. The agreement also includes \$20 billion for targeted EIDL Grants which are critical to many smaller businesses on Main Street.
- Clarifies that employer-provided group insurance benefits are included in payroll costs. This includes group life, disability, vision, or dental insurance.
- Makes the following expenses allowable and forgivable uses for Paycheck Protection Program funds:
 - Covered operations expenditures. Payment for any software, cloud computing, and other human resources and accounting needs.
 - Covered property damage costs. Costs related to property damage due to public disturbances that occurred during 2020, which are not covered by insurance.
 - Covered supplier costs. Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
 - Covered worker protection expenditure. Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent State and local guidance related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration.

Clarification of Tax Treatment of Paycheck Protection Program Loans

- The provision clarifies that gross income does not include any amount that would otherwise arise from the forgiveness of a Paycheck Protection Program (PPP) loan. This provision also clarifies that deductions are allowed for otherwise deductible expenses paid with the proceeds of a PPP loan that is forgiven, and that the tax basis and other attributes of the borrower's assets will not be reduced as a result of the loan forgiveness. The provision is effective as of the date of enactment of the CARES Act. The provision provides similar treatment for Second Draw PPP loans, effective for tax years ending after the date of enactment of the provision.

Pandemic Unemployment Assistance

- Restores the Federal Pandemic Unemployment Compensation (FPUC) supplement to all state and federal unemployment benefits at \$300 per week, starting after December 26 and ending March 14, 2021.
- Extends Pandemic Unemployment Assistance (PUA) to March 14, 2021, and allows individuals receiving benefits as of March 14, 2021, to continue through April 5, 2021, as long as the individual has not reached the maximum number of weeks.
- Increases the number of weeks of benefits an individual may claim from 39 to 50.

Recovery Rebates for Individuals

- The provision provides a refundable tax credit in the amount of \$600 per eligible family member. The credit is \$600 per taxpayer (\$1,200 for married filing jointly), in addition to \$600 per qualifying child. The credit phases out starting at \$75,000 of modified adjusted gross income (\$112,500 for heads of household and \$150,000 for married filing jointly) at a rate of \$5 per \$100 of additional income.

Extension of Credits for Paid Sick and Family Leave

- 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 percent of eligible wages if the rate of payment is 50 percent of such wages, and is increased by 0.25 percentage points (but not above 25 percent) for each percentage point that the rate of payment exceeds 50 percent. The maximum amount of family and medical leave that may be taken into account with respect to any qualifying employee is 12 weeks per taxable year.

Employee Retention Tax Credit

- The agreement extends and expands the temporary employee retention tax credit established under the CARES Act that allows a tax credit on employer-paid Social Security payroll taxes for 2020. Employers can use the credit to help offset the costs of keeping employees on payroll during the pandemic.
- It increases the tax credit rate from 50% to 70% of qualified wages and allows employers to use prior quarter gross receipts to determine their eligibility for the program. It increases the per-employee limit from \$10,000 per year to \$10,000 per quarter and makes employers with 500 or fewer employees (up from 100 employees) eligible for the tax credit.
- The agreement makes the tax credit available to certain public entities and allows new employers who were not in existence for all or part of 2019 (and therefore cannot make a comparison with pre-pandemic gross receipts) to be eligible for the credit.

Health Care, Testing & Vaccine Distribution

- The agreement appropriates \$73 billion for the Health and Human Services Department (HHS) to support various pandemic-related public health activities — including research, development, manufacturing, and distribution of vaccines and therapeutics; diagnostic testing and contact tracing; mental health and substance abuse prevention and treatment; child care support and other coronavirus activities.
- Within that total \$8.75 billion is for the Centers for Disease Control and Prevention (CDC), of which \$4.5 billion would be awarded as grants to states, localities, and territories for vaccine distribution (including vaccine tracking systems) and \$300 million is for high-risk and underserved populations.
- It provides \$20 billion for the Biomedical Advanced Research and Development Authority (BARDA) for manufacturing and procurement of vaccines and therapeutics, and the medical supplies to administer them, and \$3.3 billion for the Strategic National Stockpile.
- Another \$25.4 billion is for the Public Health and Social Services Emergency Fund for testing and contact tracing and to reimburse eligible health care providers for COVID-19 public health emergency related expenses or lost revenues, and \$1.25 billion is for the National Institutes of Health to support research and clinical trials on the long-term effects of COVID-19.

Children, Families & Communities

- The agreement provides \$10.25 billion to support early childhood programs and child care providers, including \$10 billion for Child Care and Development Block Grants and \$250 million for Head Start.
- It provides \$100 million for the Administration for Community Living to address abuse, neglect, and exploitation of the elderly, including adult protective services and long-term care ombudsman activities.

Work Opportunity Tax Credit

- The provision extends, through 2025, an elective general business credit to employers hiring individuals who are members of one or more of 10 targeted groups under the Work Opportunity Tax Credit program.

Allowance for Business Meals

- The provision provides a 100-percent deduction for business meal food and beverage expenses, including any carry-out or delivery meals, provided by a restaurant that are paid or incurred in 2021 and 2022. Currently, the deduction is available for only 50 percent of such expenses.