

# TAX NEWS

*R E DUNCAN & COMPANY, CPA*

*2826 Philadelphia Drive*

*Dayton, OH 45405*

*Ph: 937.275.3992 \* Fax: 937.275.3772 \* Web: www.redcpa.com \* Email: rduncan@redcpa.biz*

WINTER 2020.2

*Dear Client:*

The new relief bill is finally here. The name of the new bill is called the Consolidated Appropriations Act, 2021. The bill is over 400 pages in length. I am giving you a brief summary of some of the items .

## **CONSOLIDATED APPROPRIATIONS ACT, 2021**

Following is a **brief** summary of the various tax provisions. The bill provides relief for community development, transportation, vaccine and community health support, schools, rental assistance, childcare and other miscellaneous provisions.

*Stimulus Payments* - Up to \$600 for individuals and \$1,200 for a married couple filing jointly, plus \$600 for each dependent under the age of 17. AGI phaseout starts at \$75,000 for a single taxpayer and \$150,000 for a married couple. Those taxpayers who have a Social Security number and file jointly with a person who uses an ITIN will be issued the stimulus payment, however, not the person with the ITIN.

*Payment Protection Program (PPP) Loans* - for those who have not yet applied for forgiveness:

1. More expenses are eligible for forgiveness (must still meet the guidelines of 60% or more of funds must be used for payroll, only up to 40% for non-payroll expenses):
  1. Covered operations expenditures such as software, human resources, and various accounting operations,
  2. Covered property damage costs incurred as a result of looting or vandalism not covered by insurance,
  3. Covered supplier cost that are essential to the operations of the business incurred during the covered period, or
  4. Covered worker protection which covers the costs of complying with sanitation standards, social distancing, or other worker and/or customer safety requirements.
2. Any covered period which begins when the funds are received to any period between 8 and 24 weeks.
3. Streamlined forgiveness for borrowers under \$150,000

*Second round of PPP Loans (§7(a)(37) of the Small Business Act)* – expands the program and some business may be eligible for both PPP loans:

1. Fewer than 300 employees,
2. Must have been in operation as of February 15, 2020,
3. Experienced a 25% drop in gross receipts in comparison to the same quarter in 2019,
4. The maximum loan amount is \$2 million,
5. The allocation of at least 60% on payroll costs and no more than 40% on non-payroll costs remains,
6. Eligible for the Employee Retention Credit, however, the same wages used for the credit are not eligible for PPP loan forgiveness,
7. The final forgiveness amount will not be reduced by the EIDL grant monies received, and
8. Expenses paid with the EIDL grant monies will remain deductible (and additionally, tax basis and other attributes of the borrower's assets will not be reduced).

*Forgiveness of the PPP Loans* – deductions are now allowed for expenses paid with the proceeds of a forgiven PPP loan which is retroactive to the date of enactment of the CARES Act.

*Employee Payroll Tax Deferral* – the repayment period for those employees who deferred the payment of the 6.2% Social Security tax has been extended to December 31, 2021 (from the original due date of April 30, 2021).

*Families First Coronavirus Response Act (FFCRA)* – the provisions of the FFCRA, due to expire on December 31, 2020, have been extended through March 31, 2021 for both the paid sick leave and paid family leave provisions of the Act.

*Unemployment Insurance Benefits* – an additional \$300 per week for all workers receiving unemployment benefits has been included through March 14, 2021 and includes self-employed persons.

*Employee Retention Credit* – the following changes have been added:

1. Eligibility for the credit has been extended through July 1, 2021,
2. Credit percentage is increased from 50% to 70% of qualified wages,
3. Qualified wages are based on quarterly wages of \$10,000 instead of the original annual limit of \$10,000 per employee,
4. Changes the number of employees from 100 to 500 for the determination of eligible wages,
5. The drop in gross revenues, for the eligible quarters, drops from 50% to 20% on a quarter-by-quarter comparison between 2019 and 2020, and
6. An employer can now be eligible for the Employee Retention Credit even if they have the PPP loan, just not on the same wages.

*Business Meals Deduction* – Section 274(n)(2) has been modified to allow for a 100% deduction of business meals purchased in both 2021 and 2022.

*Charitable Donations* – extends several provisions of the CARES Act:

1. Extends the additional deduction for non-itemizers of up to \$300 of cash to an eligible charity through 2021 and increases the deduction to \$600 for a married filing joint return, and
2. Extends the AGI threshold of 100% for deductible cash contributions to a public charity through 2021.

*Lookback provisions for EITC and CTC* - allows those eligible for the refundable credits to use their earned income from 2019 for those whose income dropped in 2020. This would allow for a larger refund that is consistent with their earnings from prior tax filings.

*Extenders* –

1. The AGI threshold for unreimbursed medical expenses is permanently set at 7.5% (this was originally due to increase to 10% in 2021).
2. The adjustment for qualified tuition and fees will expire at the end of 2020, however, will be replaced with increased income thresholds for the Lifetime Learning Credit.
3. The following have been extended for five years, due to expire on December 31, 2025:
  1. The New Markets Tax Credit of Section 45D,
  2. Work Opportunity Credit,
  3. Mortgage Debt Forgiveness Act, however, the maximum amount of forgiveness is decreased from \$2 million to \$750,000 for a married couple, and \$375,000 for a single taxpayer,
  4. Payment of an employee's student loan principal and interest, up to \$5,250 annually
4. The deduction for the Mortgage Insurance Premiums was due to expire on December 31, 2020; this has been extended through 2021. The maximum deduction amount remains at \$1,000 which is reduced when AGI exceeds \$100,000 and is not allowed if the taxpayer's AGI exceeds \$110,000.