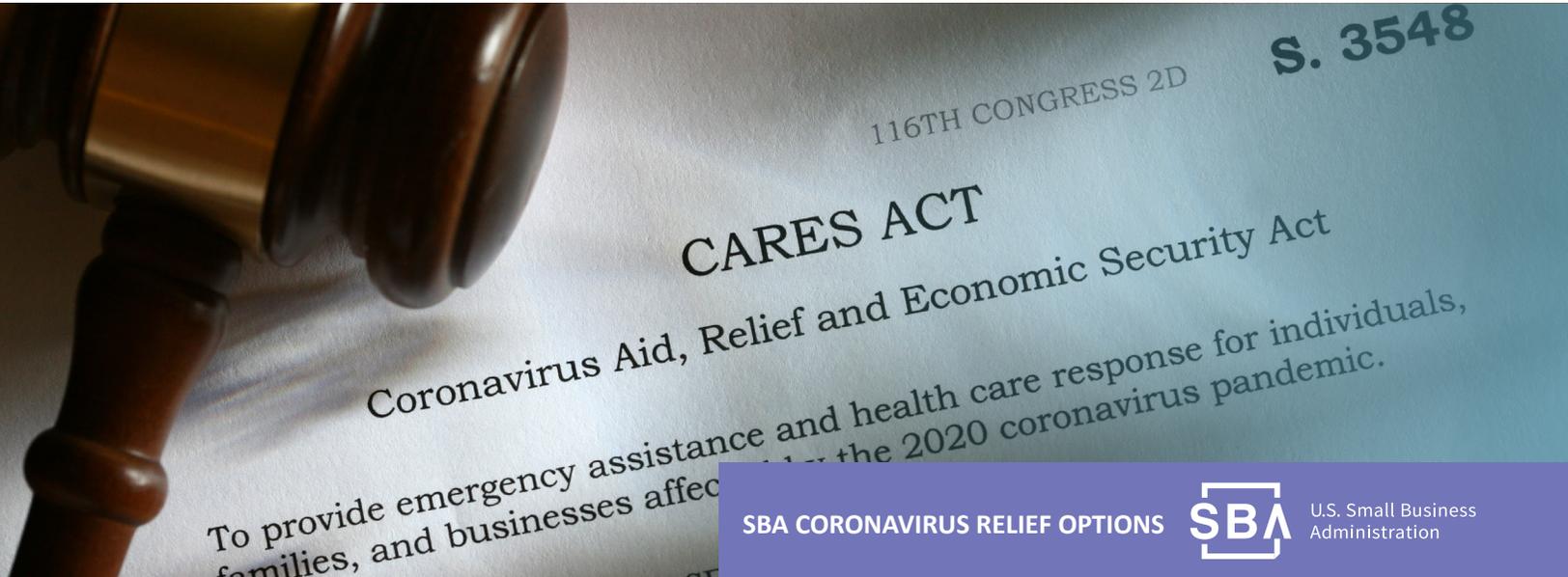


## 2021 COVID relief bill



### Payroll Protection Program

#### PPP deductibility

- Expenses paid or incurred with proceeds from PPP loans that are forgiven under the CARES Act and are not included in gross income do not result in a denial of any deduction or basis of any asset for federal tax purposes
- Provision clarifies that the tax basis and other attributes of the borrower's assets will not be reduced because of the loan forgiveness

#### PPP extension

- The bill extends the PPP through March 31, 2021
- Second round of PPP forgivable loans available for small businesses and non-profits with 300 or fewer employees
- Must demonstrate a loss of 25% of gross receipts
- Borrowers can choose a covered period between 8 and 24 weeks
- Expanded PPP eligibility for some medical, media, nonprofits and tourism industries
- Larger awards for small businesses in the restaurant and hospitality industries

- Expanded list of eligible and forgivable PPE expenses within the restaurant and hospitality industries
- Simplified application and forgiveness process for loans under \$150,000

### Disaster tax relief

- Temporary 60-day extension for individuals to take a retirement plan distribution or loan if they reside in a presidentially declared disaster area
- Max distribution or loan \$100,000 from a retirement plan or IRA without penalty
- Payback within 3 years to avoid some penalties
- Spread the inclusion of income from distributions over 3 years
- New and outstanding retirement plan loan repayment period is extended for one year

### Partial plan termination

This will allow sponsors of defined contribution retirement plans to avoid the partial plan termination rules if the active participant count as of March 2021 is 80% of the active participant count at the time the national emergency was declared

## **Minimum age for distributions during working retirement**

- Certain construction and building trades workers age 55 or older who are receiving retirement benefits will be allowed to continue working and receiving such benefits

## **Relief for qualified pension plan transfers for covering future retiree costs**

Under the provision, employers will be permitted to make a one-time election during 2020 and 2021 to end any existing transfer period for any taxable year beginning after the date of election, provided:

- The maintenance of effort continues to apply as if the transfer period were not shortened
- The employer ensures that the plan stays at least 100% funded throughout the original transfer period
- The plan has funding targets for the first five years after the original transfer period; and
- All amounts left in the retiree benefits account at the end of the shortened transfer period must be returned to the pension plan (without application of an excise tax to such amounts)

## **Employee Retention Tax Credit (ERTC)**

- Extends and expands ERTC through June 30, 2021
- ERTC covers the wages and benefits—including 401(k) contributions
- Increases the credit rate from 50% to 70% of qualified wages
- Expands eligibility for the credit by reducing the required year-over-year gross receipts decline from 50% to 20% and provides a safe harbor allowing employers to use prior quarter gross receipts to determine eligibility
- Increases the limit on per-employee creditable wages from \$10,000 for the year to \$10,000 for each quarter

- Increases the 100-employee delineation for determining the relevant qualified wage base to employers with 500 or fewer employees
- Provides rules to allow new employers that were not in existence for all or part of 2019 to be able to claim the credit
- Clarifies that group health plan expenses can be considered qualified wages even when no other wages are paid to the employee, consistent with IRS guidance
- Provides that employers that receive PPP loans may still qualify for the ERTC with respect to wages that are not paid for with forgiven PPP proceeds

## **Exclusion for certain employer payments of student loans**

- Tax-free student loan repayment benefit extends through 2025
- Max annual contribution of \$5,250
- Can be excluded from the employee's income

## **Other items of interest**

- Extends the repayment period deferred payroll taxes through Dec. 31, 2021; penalties and interest on deferred unpaid tax liability will not begin to accrue until Jan. 1, 2022
- Allows for unused Flexible Savings Account (FSA) funds to be rolled over from 2020 to 2021 and from 2021 to 2022, and allows employers to allow employees to make a prospective 2021 mid-year change in contribution amounts
- Provides an additional one-time stimulus payment of \$600 for individuals making up to \$75,000 per year, and \$1,200 per couple making up to \$150,000 per year (including \$600 per child)

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