



On December 27, 2020, the **Consolidated Appropriations Act of 2021** was finally signed into law. Embedded within the over 5,500 pages was a series of extensions and expansions of key tax and stimulus-related provisions first enacted in the CARES Act.

We expect continued discussion related to this legislation as the 117th Congress convenes. President-elect Biden has described the new law as merely a “down-payment” on the relief and stimulus he will pursue following his inauguration.

The following summarizes key provisions of the new legislation impacting individuals and family business owners.

Rebate Checks and Unemployment Benefits

- Includes a provision for an additional Recovery Rebate payment of \$600 per eligible individual. An eligible individual includes the taxpayer, the taxpayer’s spouse, and any children for whom a Child Tax Credit could be claimed. Eligibility phases out at a rate of \$5 per \$100 of AGI in excess of \$75,000 single / \$112,500 head of household / \$150,000 married. As with the initial rebate payments, these are reportable as a credit against 2020 taxes and are therefore tax-free to the recipient.
- Provides an extension of Federal Pandemic Unemployment Assistance, which provides supplemental federal payments of \$300 per week (in addition to state unemployment insurance) through March 14, 2021, up to a maximum of 24 weeks. Original supplemental payments under the CARES Act were \$600 through July 2020 and were subsequently reinstated via Executive Order by President Trump at \$300 per week through the end of 2020.

Federal Emergency Lending and Employer Incentive Programs

- Provides extension and clarifications related to the Paycheck Protection Program (PPP), including:
 - New funding for first-time and so-called “second draw” forgivable loans to eligible businesses (up to \$2M) under the modified PPP2 program.
 - Second-time loans are limited to businesses with <300 employees and at least a 25% drop in gross receipts in a 2020 quarter compared to the same quarter in 2019.
 - Expansion of PPP-eligible expenses, including employer-paid employee benefits, certain software and technology expenses, operating expenses, property damage costs, supplier costs, and worker protection-related expenses.
 - Expansion of PPP eligibility for nonprofits, local newspapers, and TV and radio broadcasters.

- Clarification to allow full deductibility for expenses paid with forgiven PPP loans, certain loan forgiveness, and other financial assistance provided under COVID-19 legislation.
- Simplification of small loan forgiveness procedures and administrative safe-harbors.
- Includes extension and expansion of CARES Act Employee Retention Credit for eligible pandemic impacted businesses through June 30, 2021.
- Extends employer credit for paid sick and family leave through March 31, 2021.
- Extends eligible Economic Injury Disaster Loan (EIDL) grants through December 31, 2021.
- Extends repayment period for deferred payroll taxes to December 31, 2021.
- Provides new dedicated funding for live venues, independent movie theaters, and cultural institutions.

Select Tax Provisions

- Extends through 2021 both the \$300 above-the-line charitable deduction (\$600 for joint returns) and the 100% of adjusted gross income (“AGI”) charitable itemized deductions provided by the CARES Act. These rules apply only to cash gifts to public charities (excludes Donor Advised Funds, Private Foundations, etc.).
- Extends through 2021 the increased corporate limit on charitable deductions (up to 25% of taxable income).
- Provides new one-year carryover and extended qualified expenditure grace periods for Health and Dependent Care Flexible Spending Plans for 2020-2021.
- Makes permanent the income tax medical expense deduction floor of 7.5% of AGI.
- Starting in 2021, the Tuition and Related Expenses above-the-line deduction is replaced with a more generous Lifetime Learning Credit, which phases-out at the same income levels (\$90,000 single / \$180,000 joint) as the American Opportunity Credit.
- For 2021-2022, increases deductibility of business meals at restaurants from 50% to 100%.
- Extends tax-exclusion for employer-paid employee student-loan debt (up to \$5,250) to 2025.
- Extends tax-exclusion for the discharge of indebtedness income on qualified personal residence short-sale deficiencies through 2025, although reduces maximum amount from \$2M to \$750k.

As always, your Ropes Wealth client service team is here to help you navigate these issues and opportunities and provide assistance with all of your planning needs.

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