



TaxNewsFlash

United States



No. 2020-468
July 27, 2020

U.S. Senate Republicans release COVID-19 response bills, with tax provisions

Senate Republicans this evening released several bills that are intended to serve as components of a broader Senate legislative response to the coronavirus (COVID-19) pandemic. These bills include a number of tax measures.

At present, no Senate Democrats have signed on as co-sponsors of any of these proposals.

Senate COVID-19 relief proposals—in general

In total, the plan would provide about \$1 trillion in additional COVID-19 economic relief. Among many provisions:

- Another round of stimulus payments would be provided for individuals.
- Additional federal unemployment benefits provided in the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act) would be extended through March 2021, but at a reduced level—\$200 per week for two months, then 70% of lost wages capped at \$500 per week.
- The Paycheck Protection Program would be extended with an additional \$60 billion in funding with more flexible rules for small businesses.
- The employee retention tax credit would be enhanced.
- Liability protection from COVID-19-related lawsuits would be provided for businesses and other organizations and health care providers.
- Tax credits would be provided for COVID-19-related expenses of businesses.

Background

The U.S. House of Representatives on May 15, 2020, passed (on a largely party-line vote) the “Health and Economic Recovery Omnibus Emergency Solutions Act” (HEROES Act). Read [TaxNewsFlash](#)

There are many significant differences between the HEROES bill and the Senate Republicans’ proposals released today. In order for further COVID-19 response legislation to become law, the House, Senate, and White House all will ultimately have to agree to the same legislation.

Senate COVID-19 relief proposals—tax measures

Tax provisions in today’s bills include:

The “[American Workers, Families, and Employers Assistance Act](#)” [PDF 226 KB] – introduced by Senate Finance Committee Chairman Grassley

- Additional cash payments of up to \$1,200 (\$2,400 if married) to some individuals meeting certain income requirements (using tax credit mechanism), with some modifications.
- Enhancements to employee retention credit (ERTC).
- Temporary expansion of work opportunity tax credit (WOTC).
- Temporary refundable payroll tax credit of 50% of an employer’s expenses for certain expenses of protecting employees, such as testing for COVID-19, protective personal equipment (PPE), cleaning supplies, and qualified workplace reconfiguration expenses. Quarterly cap on qualified expenses equal to \$1,000 for each of first 500 employees, plus lesser amounts for each employee in excess of 500.
- Safe harbor for providing certain COVID-19-related assistance to service-providers (such a “gig-economy” workers) without jeopardizing independent contractor status.
- Clarifications and corrections to some CARES Act rules relating to qualified plans as well as to farmers who elected two-year net operating loss (NOL) carrybacks prior to the CARES Act.
- Temporary changes to some flexible spending account rules.
- Uniform procedures through 2024 for assessing state and local income taxes on remote and mobile workers who perform employment duties in multiple states

The “[Restoring Critical Supply Chains and Intellectual Property Act](#)” [PDF 173 KB] – introduced by Senator Graham

- 30% investment credit against equipment costs associated with personal protective equipment manufacturing for eligible U.S. manufacturers (modeled after section 48C advanced manufacturing tax credit). Total credit program amount capped at \$7.5 billion, with applications due within one year of program’s establishment. Would permit taxpayers that receive the new credit to bring qualifying intangible property used in connection with the production of PPE back to the United States without taxable gain.

The “[Supporting America’s Restaurant Workers Act](#)” [PDF 24 KB] – introduced by Senator Scott

- Temporary allowance of a full deduction for business meal expenses incurred after enactment and before 2021.

KPMG observation

Unlike the House HEROES bill, the Senators have chosen to put forth several separate bills in parallel, to advance the next round of COVID-19 relief. This approach could complicate negotiations between the Democratic-controlled House and the Republican-controlled Senate.

But the Senate might need to pass some or all of this series of bills before it can begin negotiations with the House—not a sure thing, considering that at least seven Senate Democrats would also have to vote in favor of the legislation. It is not yet clear exactly how, or when, the Senate might attempt to move these bills through the Senate.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)