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TaxNewsFlash

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Legislative update: Congress passes COVID relief legislation

The U.S. House of Representatives today passed the Senate-amended version of H.R. 1319, the "American Rescue Plan Act of 2021," by a near party-line vote of 220-211.

The legislation is estimated by the Congressional Budget Office (CBO) to increase the deficit by $1.86 trillion over 10 years.

Documents

The following documents related to the legislation have been released:

- **Legislative text** [PDF 961 KB] of H.R. 1319 as approved by the Senate and House
- Joint Tax Committee (JCT) **analysis** of the budgetary effects of H.R. 1319
- CBO **estimated budgetary effects** [PDF 86 KB] of H.R. 1319
- Title-by-title **summary** [PDF 475 KB] of H.R. 1319, as prepared by Senate Democratic staff
- A **summary** [PDF 267 KB] of Senate changes made to original House-passed bill, as prepared by Senate Democratic staff
- Congressional Research Office **analysis** of certain tax provisions in H.R. 1319
- **Statement of Administration Policy** [PDF 123 KB] (dated February 26, 2021) supporting H.R. 1319

Tax-related provisions

H.R. 1319 contains a number of tax-related provisions that the JCT estimated will decrease revenues by a net of $590 billion over 10 years, with the largest tax decreases being $411 billion in 2021 recovery rebates paid to individuals and $110 billion in increased child tax credits.

Business-related tax provisions in the legislation include:

- **Limitation on excessive employee remuneration**—section 162(m) modified to extend from three to the eight highest-compensated employees, the denial of deduction of compensation in excess of $1 million for publicly traded companies for tax years beginning after December 31, 2026. Read ***TaxNewsFlash***

- **Limitation on excess business losses of noncorporate taxpayers**—section 461(l)(1) limiting excess business losses, as enacted in the "Tax Cuts and Jobs Act," extended by one year through 2026.

- **Worldwide interest allocation rules**—repeal of the section 864(f) election for U.S. affiliated groups to allocate interest expense on a worldwide basis.

- **Employee retention credit**—modified for severely financially distressed employers, employers not in existence in 2019, and recovery startup businesses (defined as certain employers that began carrying on a trade or business after February 15, 2020). Treatment of wages taken into account as payroll costs under certain Small Business Administration programs is clarified.

- **Third-party network transaction reporting requirements**—section 6050W modified to reduce to $600 (from $20,000) the de minimis exception for third-party settlement organization reporting. The provision also clarifies that reporting would not be required for transactions that are not for goods or services

- **Credits relating to certain paid employee leave**—Extended and expanded credits for paid sick and family medical leave with respect to amounts paid under certain collectively bargained agreements. Treatment of amounts taken into account as payroll costs in connection with certain loan and grant programs is clarified.

- **Economic injury disaster loan advances and restaurant revitalization grants**—Clarification that amounts received by taxpayers as restaurant revitalization grants or target EIDL advances are generally excluded from gross income and other related tax matters.

- **Customs user fees**—Certain customs user fees extended by one year through September 20, 2030.

Tax provisions related to individuals in the legislation include:

- 2021 recovery rebates—Provide rebates and modify the adjusted gross income (AGI) phase-out levels for receipt of recovery rebates in the amount of $1,400 for single taxpayers / $2,800 for married filing jointly and $1,400 per dependent are modified to $75,000-80,000 for single, $112,500-120,000 for head of household, and $150,000-160,000 for married filing jointly.

- Taxation of unemployment compensation—Create a tax exclusion for unemployment compensation (not to exceed $10,200) received in 2020 for households with AGI of less than $150,000.

- Child tax credit (CTC)—For 2021, increase the CTC to $3,000 ($3,600 for certain children under the age of six years), expand refundability, and expand application to U.S. territories.

- Earning income tax credit (EITC)—Expand the EITC for certain childless individuals for 2021; expand application in U.S. possessions; modify credit for certain separated spouses; and make other modifications.

- Child and dependent care tax credit—For 2021, expand the credit for workers with $185,000 or less in income and reduce the credit for those with over $400,000 of income (fully phasing out for those with income over $440,000), and increase refundability.

- Employer-provided dependent care assistance—For 2021, increase the maximum amount of qualifying child-care expenses that eligible taxpayers may exclude from income from $5,000 to $10,500.

- Student loan forgiveness—Exclude from gross income amounts related to discharge of certain student loan debt in 2021 through 2025.

- Premium tax credit—Provide expanded premium assistance for consumers through 2022; clarify premium tax credit application for individuals receiving unemployment compensation in 2021; and make other modifications.

- COBRA—Clarify that gross income does not include premium assistance received by certain taxpayers and other COBRA-related modifications.

Pension-related measures

The legislation contains a number of provisions providing relief for both multi-employer and single-employer pension plans including:

- Removal of a requirement that withdrawal liability for multi-employer plans be determined for 15 years without regard to financial assistance and removal of a notice to employers on withdrawal liability
- Extension of amortization for single-employer plans
- Extension of pension funding stabilization percentages
- Modification of special rules for minimum funding standards for community newspaper plans

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What's next?

With today's agreement by the House to the Senate changes to the bill, the legislation will be enrolled and sent to the White House for President Biden's expected signature.

According to the White House, the president plans to sign the bill on Friday, March 12, 2021.

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.

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