

GMS Flash Alert



2020-514 | December 29, 2020

United States - President Signs COVID-19 Relief Legislation, Tax Provisions Enacted

On December 27, 2020, U.S. President Donald J. Trump signed into law the “Consolidated Appropriations Act, 2021.”¹ The legislation includes additional coronavirus (COVID-19) relief that expands upon the relief provided in the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act)² and a number of tax provisions. Accordingly, the date of enactment is December 27, 2020.

WHY THIS MATTERS

The COVID-19 relief legislation provides individuals and certain employers detrimentally impacted by the coronavirus pandemic with welcome financial support to help with the maintenance of their households and businesses and support the wider economy. Individuals and employers should familiarize themselves with the measures and assess the eligibility requirements.

The tax measures (e.g., extenders) in the consolidated appropriations legislation may help individuals with various deductions, exclusions, and credits, which could help them reduce their tax liability. They could affect the overall costs of international assignments.

Key Highlights of the Legislation

The legislation includes a number of tax provisions. The provisions that are most likely to impact global mobility programs and international assignees are highlighted below. For a detailed discussion of the following highlighted provisions see GMS [Flash Alert 2020-504](#) (December 23, 2020).

COVID-Related Tax Relief Act

The legislation includes the “COVID-Related Tax Relief Act of 2020.” The tax provisions in this part of the legislation

that may be of most interest to global mobility professionals and assignees include:

- Additional 2020 recovery rebates up to \$600 per qualifying taxpayer and child;
- Amendment of recovery rebate provided by the CARES Act (\$1,200 per eligible taxpayer plus \$500 per qualifying child) to permit married taxpayers filing jointly to claim a \$1,200 credit if only one spouse has a social security number;
- Extension of time for repayment of certain deferred payroll taxes through December 31, 2021.

Expiring Provisions

The legislation makes permanent certain expiring tax incentives and provides temporary extensions (for varying periods of time) for other expiring provisions.

Selected provisions that are made permanent include:

- Reduction in medical expense deduction floor to 7.5 percent;
- Increased phase-out threshold of Lifetime Learning Credit (with transition from deduction for qualified tuition and related expenses).

Selected provisions that are extended for five years (through 2025) include:

- Exclusion from gross income of discharge of qualified principal residence indebtedness (with reduction in maximum acquisition indebtedness taken into account);
- Exclusion from gross income for certain employer payments of student loans.

Certain provisions extended for three years (through the end of 2023) include:

- Energy credit, with adjustments to phase-out schedules;
- Residential energy-efficient property credit, with addition of rules for inclusion of biomass fuel property expenditures.

Selected provisions extended for one year include:

- Treatment of mortgage insurance premiums as qualified residence interest;
- Non-business energy property credit;
- Qualified fuel cell motor vehicle rules for alternative motor vehicles credit;
- Alternative fuel refueling property credit;
- Two-wheeled plug-in electric vehicle credit.

Miscellaneous Tax Provisions

The legislation contains a number of miscellaneous tax provisions and temporary provisions relating to COVID-19 relief including:

- Health and dependent care flexible spending accounts:
 - Provides for rollover of unused amounts from 2020 to 2021 and from 2021 to 2022,
 - Temporary extension of the grace period to 12 months for unused benefits or the contributions grace period,
 - Temporary allowance for a mid-year prospective change in contribution amounts;
- Earned income tax credit and child tax credit – a temporary special rule for determination of earned income;
- Retirement provisions:
 - Modification to minimum age for distributions during working retirement,
 - Temporary rule preventing partial plan termination;
- Business meals deduction – a temporary allowance of a full deduction for business meals paid or incurred between December 31, 2020, and January 1, 2023;
- Charitable contributions:
 - Extension of the CARES Act non-itemizer charitable contribution deduction for certain contributions through 2021,
 - Extension of the CARES Act modification of donor percentage-of-income limitations for certain charitable contributions through 2021.

Non-COVID-19 Disaster Tax Relief

The legislation provides disaster tax relief for individuals and businesses in presidentially-declared disaster areas for major disasters declared (other than COVID-19) after December 31, 2019, through February 25, 2021 (60 days after December 27, 2020 (the date of enactment)). In part, these provisions:

- Provide an exception to the 10-percent early retirement plan withdrawal penalty for qualified disaster relief distributions (not to exceed \$100,000);
- Eliminate requirement that personal casualty losses must exceed 10 percent of adjusted gross income (AGI).

Compensation and Benefits-Related Provisions

The legislation also includes several compensation and benefits-related tax provisions, including expansion of the employee retention credit through June 30, 2021 (from January 1, 2021). For a summary of these provisions, see KPMG LLP's *TaxNewsFlash* [2020-774](#) (December 22, 2020).

FOOTNOTES:

- 1 [H.R. 133](#), Consolidated Appropriations Act, 2021, signed into law December 27, 2020.
- 2 See GMS [Flash Alert 2020-127](#), March 27, 2020, for prior coverage of the CARES Act.

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The 2021 Personal Tax Planning Guide Is Available for Your Use!

To support year-end tax planning and help individuals and families plan for the year ahead, KPMG LLP (U.S.) presents the "[2021 Personal Tax Planning Guide](#)." Prepared by tax professionals from the Washington National Tax office, the guide provides valuable information and insights to support year-end tax planning and help ensure an individual's/family's U.S. tax position is in shape heading into 2021.

The above information 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.

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