

## Understanding the New Stimulus Bill

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On December 27, 2020, President Trump signed the Consolidated Appropriations Act, 2021, into law (hereinafter referred to as “the Act”), with large portions of the bill acting as an economic stimulus for individuals and businesses affected by the COVID-19 pandemic. The legislation (the second major congressional response to the COVID-19 pandemic) is intended to provide immediate and ongoing economic relief to individuals and businesses affected by the crisis. At more than 5,000 pages, the bill contains provisions relating to a broad variety of topics. This summary is intended to address only the critical provisions for individuals and small businesses.

### Direct Payments to Individuals

Much like the Coronavirus Aid, Relief, and Economic Security (CARES) Act, individuals and families with incomes below certain thresholds can expect to receive a stimulus check (or direct deposit) from the government, albeit for a lesser amount than under the CARES Act.

Filing Status	Adjusted Gross Income (AGI) Less Than . . .	Payment Amount
Individual	\$75,000	\$600
Head of household	\$112,500	\$600
Married filing jointly	\$150,000	\$1,200

In addition, families would receive an extra \$600 per child younger than 17.

Taxpayers with AGI above established thresholds will see their payment amount reduced by 5 percent of the income exceeding the threshold (\$5 for every \$100 in income), which means certain individuals will receive a reduced stimulus check or may not receive one at all.

The determination of income for the threshold will be based on the taxpayer’s 2019 income tax return. If individuals would be entitled to a higher payment if 2020 AGI figures were used, they can claim a “recovery rebate credit” on their 2020 tax returns.

The timing of the checks is not definitive, but government officials have expressed their intent to have payments sent as soon as administratively possible.

### Expansion of Unemployment Benefits

Unemployed individuals, including those who typically aren’t otherwise entitled to unemployment compensation under state law (e.g., self-employed) and self-certify that they have been adversely affected by the COVID-19 pandemic, may receive unemployment compensation for an additional period of up to 11 weeks. Such authorized payment to self-employed individuals was originally authorized under the CARES Act and was set to expire on December 26, 2020.

In addition to any weekly unemployment compensation available under state law, unemployed individuals are entitled to an additional \$300 per week for a period lasting until March 14, 2021, termed Federal Pandemic Unemployment Compensation. This amount was available to unemployed individuals at an amount of \$600 per week under the CARES Act, but that expired on July 31, 2020.

### Loans to Distressed Small Businesses

The previously available Paycheck Protection Program (PPP) will receive \$284 billion in additional funding. Small businesses (defined as those employing 500 or fewer employees) will be eligible for forgivable, government-backed small business loans under the PPP. The same basic eligibility standards previously adopted for the PPP will remain applicable for first-time borrowers. Businesses that have already received a PPP loan may apply for a second loan; however, such borrowers will be subject to more stringent qualifications and reduced maximum available loan amounts.

In addition, the Act provides funding to increase the accessibility of an Economic Injury Disaster Loan (EIDL) related to the COVID-19 crisis and funding for the Small Business Administration (SBA) to give loans to specific industries most adversely affected by the pandemic (e.g., live performance venues).

The Act also clarifies that tax-deductible business expenses paid with funds loaned through the PPP will also be deductible for tax purposes, even though PPP funds may be forgiven tax free.

### **Moratorium on Evictions**

Landlords are prohibited from initiating eviction proceedings against tenants until after January 31, 2021; however, to qualify for the eviction moratorium, the renter must be under certain income thresholds and be able to substantiate certain adverse economic circumstances. The Act also provides funding to states to help certain renters in need of emergency assistance.

Unlike the CARES Act, this Act did not appear to provide specific aid to homeowners facing foreclosure; however, government agencies may continue to enact and extend foreclosure moratoriums and forbearance programs related to properties with federally backed loans.

### **Earned Income Tax Credit**

The Act will permit individuals to use their 2019 income on their 2020 tax return to determine qualification for the earned income tax credit and child tax credit. Eligibility for this credit depends on a number of factors, and some may have lost eligibility due to job loss or reduction of hours in 2020.

### **Expansion of Availability of Charitable Giving Incentives**

The CARES Act provision permitting taxpayers who do not itemize their deductions to be eligible for a \$300 above-the-line deduction in 2020 has been extended to apply to 2021. The Act further specifies that, for the year 2021, married couples filing jointly would be eligible for a \$600 above-the-line deduction. The Act also extends the 100 percent of AGI deduction for individuals making cash gifts directly to charity and the 25 percent of AGI deduction for corporations making cash gifts directly to charity. Notably, these incentives do not apply to cash gifts to a donor-advised fund.

### **Flexible Savings Accounts**

Individuals who did not have enough eligible expenses in 2020 to exhaust their Flexible Spending Account balance may roll that balance over to be used in 2021 without running afoul of IRS rules. (The same exception to the rule will apply for balances carried from 2021 to 2022 as well.)

### **Payroll Tax Deferral Extension**

For those employers who elected to have employees defer the payment of payroll taxes, the deadline to repay the deferral payroll taxes is extended from April 30, 2021, to December 31, 2021.

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