HERBEIN

CPAS + CONSULTANTS

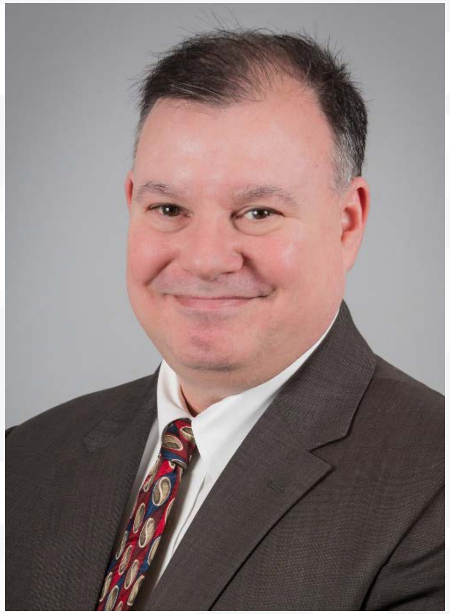
Overview of the Consolidated Appropriations Act of 2021

Thank you for joining us today. This program will start at 2:00

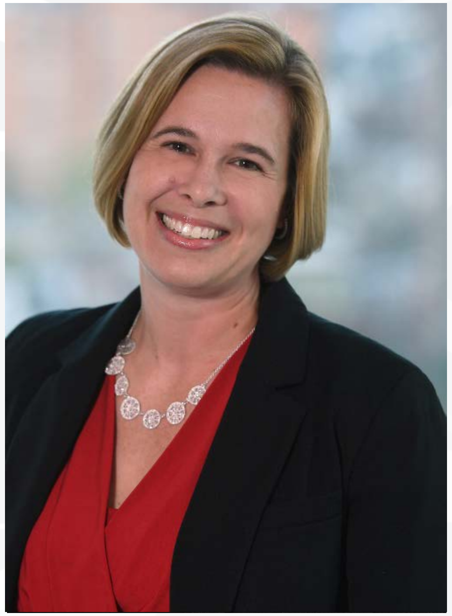
BEST of Accounting CLIENT SATISFACTION 2020

1.855.HC.Today | www.herbein.com

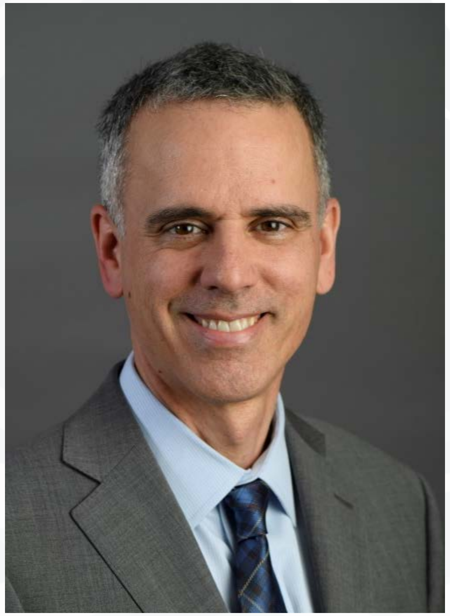
Today's Panelists



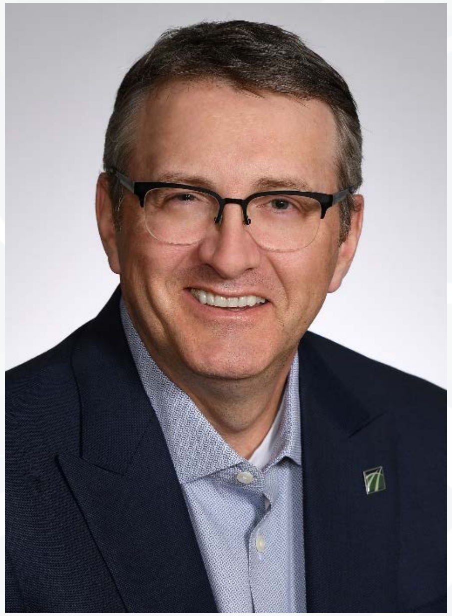
David E. Peritz
Herbein + Company, Inc.
Senior Manager
deperitz@herbein.com



Stacy A. Weller
Herbein + Company, Inc.
Senior Manager
saweller@herbein.com



Greg Farrell
Herbein + Company, Inc.
Partner
gfarrell@herbein.com



Jack Kolmansberger (Host)
Herbein + Company, Inc.
Chief Marketing Officer
jmkolmansberger@herbein.com

HOUSEKEEPING

- Attendees may submit questions at any time using the Q&A function.
- Panelists will address questions at the end of the formal presentation if time permits.
- Additionally, all attendees will be emailed a link to a recording of the webinar, a pdf of the presentation, and a listing of speaker biographies and contact information.

Today's presentation is not:

- Legal advice
- The final word on today's topics – updates will be continuously provided via herbein.com

Before taking any action, you should review this material with internal and/or external advisors.

CPE Housekeeping (1 hour)

HERBEIN CPAS + CONSULTANTS

To be eligible for Continuing Professional Education (CPE) for certified public accountants, participants:

- Must be logged in for the entirety of the program.
- Answer at least 5 of 6 poll questions during the hour.

Unfortunately, we are unable to grant CPE in cases where technical difficulties prevent the participants to meet the requirements listed above. Credits are only available via participation in the live webinar, we are not able to provide credits based on watching the webinar recording.

POLL # 1

Did you receive Round One PPP funding?

- Yes and have received loan forgiveness
- Yes and have not yet submitted for loan forgiveness
- No – did not apply
- No – application was not approved
- Unsure

Consolidated Appropriations Act of 2021

- Massive $2.3T omnibus spending, COVID relief and other measures.
- Unorganized law - combination of several separate bills.
- Provides government funding including for stimulus payments, vaccine distribution, schools, food programs, airlines, broadband.
- Contains provisions relating to businesses, individuals, sectors and industries including $328B in tax relief.
- Several changes/extensions made to the CARES Act (as amended) and the FFCRA – and other changes unrelated to COVID.
- Most noteworthy changes relate to PPP loans and Employee Retention Tax Credits.
- Numerous improvements that provide both retroactive and prospective benefits.

Consolidated Appropriations Act of 2021

- Consolidated Appropriations Act (CAA) provides $900 billion for COVID-19-related relief & $1.4 trillion to fund federal government through September 2021.

➢ **Included**
- Additional round & changes to Paycheck Protection Program
- Extension & expansion of COVID-19-related tax credits
- Funding for various COVID-19 programs & relief initiatives

➢ **Not included**
- State, local & tribal government funding
- Liability protection against COVID-19 lawsuits
- Federal student loan forbearance

HERBEIN
CPAS + CONSULTANTS

Paycheck Protection Program (PPP) Update

BEST of Accounting
CLIENT SATISFACTION
2020

1.855.HC.Today | www.herbein.com

PPP Expenses
Are they tax deductible?

Expanded eligible expenses for forgiveness

1st time borrowers (old rules)

PPP Round 2 (new rules)

HERBEIN
CPAS + CONSULTANTS

Are PPP Expenses Deductible?

BEST of Accounting™
CLIENT SATISFACTION
2020

1.855.HC.Today | www.herbein.com

HISTORY OF CONTROVERSY FOR PPP EXPENSES

- On April 30, 2020, the IRS issued Notice 2020-32 –
  - States that no deduction is allowed under the Internal Revenue Code for an expense that is otherwise deductible if the payment of the expense results in forgiveness of a PPP loan

- In May 2020, Senate Bill 3612 was introduced to reverse the IRS's conclusion.
  - **Stalled and did <u>not</u> pass**.

- On Nov. 18, 2020, the IRS issued Rev. Ruling 2020-27
  - Clarified the tax year for which the deduction would be disallowed

- On Nov. 18, 2020, the IRS issued Rev. Procedure 2020-51
  - Provides safe harbor for taxpayers who did not claim deductions for expenses intended to be used for loan forgiveness but whose loan is not forgiven.

- On December 27, 2020, the Consolidated Appropriations Act of 2021 was signed into law.

PPP Loan Expenses - FULLY DEDUCTIBLE!

- The *Consolidated Appropriations Act, 2021* clarifies expenses paid with PPP loan proceeds 100 percent deductible
- Applies retroactively to all PPP loans
- Also provides benefit to owners of pass-through entities, *i.e.,* basis step-up in stock/partnership interest for any tax-exempt income from forgiven PPP loan

Clarifies congressional intent that expenses paid with forgiven PPP loan funds are deductible for federal income tax purposes and that PPP loan forgiveness is not included in taxable income.

A true double-dip!

PPP Loan Expenses - FULLY DEDUCTIBLE!

+	-
Expenses are fully deductible (basis decrease)	Basis issues
No lost tax attributes	Not tax-exempt income until forgiven
Tax-exempt income (increase basis)	States may not be so generous

States May Not Be So Generous

- New York & Pennsylvania appear to be taking the position that Paycheck Protection Program loan forgiveness is taxable for individual tax purposes.
- California disallows deductions for expenses paid with forgiven PPP funds.
- No word from New Jersey and Connecticut yet.

HERBEIN
CPAS + CONSULTANTS

Expanded Eligible Expenses

BEST of Accounting
CLIENT SATISFACTION
2020

PPP Loan Forgiveness – Payroll Costs

Loan forgiveness eligible expenses

There are new ones

New ones allowed if you have not yet applied for forgiveness

Payroll Costs – At least 60%

- **Wages**
  - Gross wages < $100,000 annualized
  - Does not include used for payroll tax credits (FFCRA/Retention credits)
- **Health Insurance**, including self insured plans – company paid
- **Retirement benefits** – company paid portion
- **Employer level state taxes** (unemployment)

PPP Loan Forgiveness – Nonpayroll Costs

Non-Payroll Costs – Up to 40%

Original Non-Payroll Costs	Newly Added Non-Payroll Costs
• Rent or lease payments in place prior to February 15, 2020 • Interest on mortgage in place prior to February 15, 2020 • Utilities - Electricity, gas, water, telephone, internet, and transportation	• Covered operations costs - Business software / cloud applications • Covered property damage costs – due to public disturbance that is not covered by insurance • Covered supplier costs – supplies essential to operations ordered before start of covered period; includes perishable goods count before or during covered period • Covered workers protection costs – operational or capital expenses to adapt businesses to comply with health rules

Covered Worker Protection Costs

- Purchased after March 1, 2020
  - HHS, CDC, OSHA, State, or Local government requirement

- Sanitation standards, social distancing, or worker / customer safety

- Includes, but not limited to:
  - Drive-through window (new or retro fit)
  - Indoor / Outdoor air ventilation / filtration system
  - Physical barrier (sneeze guard)
  - Expansion of indoor / outdoor space
  - N95 respirators, masks, nitrile gloves, surgical gowns (Sec. 328.103)
  - Other PPE

- Residential real property and intangible assets are excluded

1st Round Changes

1.855.HC.Today | www.herbein.com

PAYCHECK PROTECTION PROGRAM CHANGES

- Borrowers may elect a covered period of at least eight, but no more than 24 weeks, beginning with the first loan disbursement date, thus providing additional flexibility in loan forgiveness process.
    - May be advantageous to employers who had a reduction in workforce and/or made pay cuts after their PPP loan funds were expended.
    - Regulations issued 1/7/2020 indicate that "alternative covered period" rule has been withdrawn due to change in law.
- Provides that 501(c)(6) entities (business leagues, chambers of commerce, real estate boards, boards of trade) <u>are eligible</u> to receive PPP loans along with housing cooperatives, FCC license holders and newspapers, TV and radio broadcasters (with certain restrictions and waivers).

Paycheck Protection Program Changes

- Eligible borrowers who did not receive a PPP loan in 2020 may now apply for one under the original PPP program's terms, as modified.

- Borrowers who did receive a PPP loan in 2020 may not receive a 2nd loan under this program (see PPP Second Draws later on) but:

    - Borrowers who received a PPP loan but returned some or all of the loan proceeds may re-apply

    - Borrowers who didn't receive, or accept, an amount for which they were legally entitled may re-apply and receive the difference between what they actually received and what they are legally entitled to and approved for.

- Borrowers who did not receive a PPP loan in 2020 may calculate their borrowing base using either 2019 or 2020 calendar year payroll costs.

Paycheck Protection Program Changes

- New law provides that EIDL advances are not taxable and also do not reduce PPP forgiveness amount.
- PPP loans now permitted for qualifying debtors who file under Subchapter V of Chapter 11, family farmers under Chapter 12 and individuals filing under Chapter 13 of the Bankruptcy Code.
- Restrictions on certain foreign ownership, board and management.
- Publicly traded companies are not eligible.

Poll # 2

Do you plan on applying for Round 2 of PPP?

- Yes and have submitted application
- Yes but have not yet submitted application
- No – will not apply
- No – will no be eligible
- Unsure

2nd Round Changes

2ND ROUND OF PPP LOANS

- Allows "Eligible Recipients" to receive a second PPP loan.
    - Most businesses must have no more than 300 employees (down from 500).
    - Must have used or will use their first PPP loan and,
    - Must demonstrate at least 25% reduction in gross receipts during any quarter of 2020 as compared to the same quarter in 2019.
    - If 2020 revenues overall are 75% or less than 2019 revenues, borrowers may use annual figures.
    - Gross receipts = all receipts except capital gains and PPP loan forgiveness.
    - Must still satisfy "necessity" test.
- Maximum loan amount is equal to 2.5X average monthly payroll costs for 2020 or, if elected, 2019, or $2M - whichever is less.

2ND ROUND OF PPP LOANS

HERBEIN CPAS + CONSULTANTS

- Special rules apply to seasonal businesses and businesses with a NAICS code beginning with 72 (Restaurants and Hospitality Industry). The loan amount may be 3.5X average monthly payroll costs.
- Decline in revenues will need to be shown at time of loan application except for borrowers requesting loan of less than $150,000, who will need to provide calculations at a later time.
- $4M overall cap for commonly controlled businesses.
- Program runs through March 31, 2021.
- Same general rules as original PPP.
    - Reductions in FTEE’s and/or pay cuts may result in reduction in forgiveness. 60% of costs paid must be payroll costs.
- Gross receipts are calculated in accordance with the borrower’s accounting method used for federal income tax reporting purposes.

HERBEIN
CPAS + CONSULTANTS

PPP – Newly Issued Guidance

BEST of Accounting
CLIENT SATISFACTION
2020

1.855.HC.Today | www.herbein.com

Newly Issued Guidance

- The SBA and Treasury issued guidance on January 6 for the rebooted PPP, which shares many of the same rules as the old PPP but also has some significant differences.

- **The guidance came in the form of three documents, as follows:**

  - An 82-page interim final rule (IFR) called "Business Loan Program Temporary Changes; Paycheck Protection Program as Amended by Economic Aid Act," which consolidates eight months of rules released for PPP forgivable loans for first-time borrowers and incorporates changes made by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, P.L. 116-260.

  - A 42-page IFR called "Business Loan Program Temporary Changes; Paycheck Protection Program Second Draw Loans," which establishes guidelines for new PPP loans to businesses that previously received a PPP loan.

- A <u>three-page document</u> called “Guidance on Accessing Capital for Minority, Underserved, Veteran and Women-Owned Business Concerns”
  - Includes a commitment from the SBA to make at least the first two days of the PPP application window open exclusively to applications from community financial institutions.

Additional Information – PPP Loans

- Covered period is between 8 and 24 weeks selected by borrower (not 8 or 24 weeks)
- Loans under $150k will receive simplified forgiveness application
- The provision in the 2020 legislation where the government pays certain SBA loans for certain period of time
    - Payments are considered tax exempt income for tax purposes

- Interaction of ERTC and PPP
    - Key highlight –a business can now have both
    - Key caveat –a business cannot use the same wages for both

HERBEIN
CPAS + CONSULTANTS

Employee Retention Credit (ERC)

BEST of Accounting
CLIENT SATISFACTION 2020

1.855.HC.Today | www.herbein.com

Employee Retention Credit (ERC)

The ERC is a refundable payroll tax credit available to taxpayers that, prior to the CAA, satisfied one of the following two criteria:

1. Their business was at least partially suspended by a government rule during at least one quarter of 2020. The IRS significantly limited the scope of when a taxpayer qualified under this test in FAQs 30-38 of its ERC FAQs. The CAA does not override these positions.

1. They experienced a 50 percent drop in gross receipts in any quarter of 2020 relative to the same quarter in 2019.

If either criteria were satisfied, the business was entitled to a refundable tax credit (i.e., it would offset tax liability if the business had any; otherwise, the government would send you a check for the value of the credit).

Critical Rules for Computing the ERC

1. If the employer qualified because of a government shutdown order, qualified wages only include those paid during the government-imposed shutdown.

2. If the employer qualified because of a 50+ percent drop in gross receipts, qualification continued until the fiscal quarter after business receipts returned to at least 80 percent of what they were during the same fiscal quarter of 2019.

SIGNIFICANT CHANGES TO THE ERC

- The credit percentage increases from 50 percent to 70 percent.
- Separate $10,000 caps apply in each of the first two quarters of 2021, rather than a single $10,000 cap for the entire year.
- The reduction in quarterly gross receipts compared to the same quarter in 2019 is changed from a 50 percent reduction to only a 20 percent reduction.
- For purposes of qualifying for the ERC because of a drop in quarterly receipts, a business can elect to use the prior quarter and the corresponding 2019 quarter.
- In 2020 the definition of qualifying wages depended on whether the employer had more than 100 FTE employees. For 2021, the 100 FTE threshold increases to 500 FTEs.
- For employees joining or leaving in the middle of a quarter, qualified wages can be increased via additional payments (e.g., hiring bonus or severance) in order to maximize the ERC.

Individual Relief and Tax Law Changes

1.855.HC.Today | www.herbein.com

Poll # 3

HERBEIN
CPAS + CONSULTANTS

Individual stimulus payments – check all that apply:

- Have received first stimulus payment
- Did not receive first stimulus payment
- Have received second round of stimulus payment
- Expect to receive second round – but haven’t received it yet
- Did not qualify
- Not sure

Second Round of Economic Impact Payments (EIP)

- Eligible individual is allowed $600
- Plus $600 for each qualifying child under the age of 17
  - Children are eligible for the same benefit as adults (not lower amount)
- Income phaseouts
  - $75,000 for individual, $150,000 for married joint, and $112,500 for head of household
  - Due to the benefit being 50% of the original EIP, the phase-out income limit will end at a lower income level ($87,000 for individuals and $174,000 for joint filers)

Second Round of Economic Impact Payments, cont'd

- Which tax year will determine eligibility?
  - 2019 personal tax return
  - If you receive Social Security and are not required to file, you will still receive a stimulus payment based on the info sent to IRS on SSA-1099.
- Will 2020 tax returns affect these stimulus payments?
  - Payment is an advance on a credit which will be calculated on the taxpayer's 2020 Form 1040 – the Recovery Rebate Credit
  - If the amount received exceeds the amount of Recovery Rebate Credit calculated on 2020 tax return, the excess does NOT have to be paid back, nor will it reduce the taxpayers' potential refund for 2020
  - If the amount received is less than the allowable Recovery Rebate Credit, the excess will be refunded or reduce the balance owed for 2020

HERBEIN CPAS + CONSULTANTS

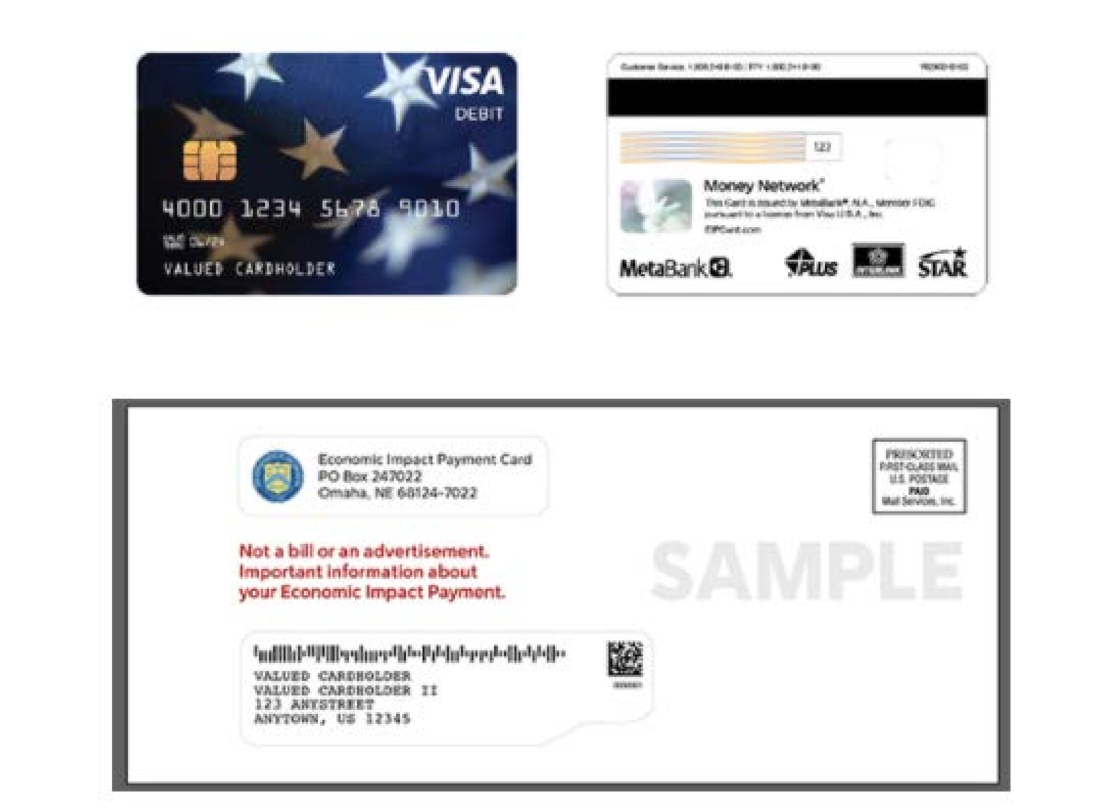
Second Round of Economic Impact Payments, cont'd

- Check on the status of your Payment
  - https://www.irs.gov/coronavirus/get-my-payment
  - Because payments are being issued based on information IRS already has on file, you will not be able to add new routing or account information, or request to receive your payment by EIP Card.
- Direct deposits of payments have hit bank accounts as early as the 1st of the year for some taxpayers
- There is ongoing mailing of paper checks

Individual Relief

Second Round of Economic Impact Payments (continued)

- This past week the IRS sent out approximately 8 million EIPs by prepaid debit cards – watch your mail closely!
  - Issued by the Treasury's financial agent – MetaBank, N.A.



Poll # 4

Do you think individual stimulus payment will increase or stay the same?

- Believe they will top out at $600 as planned
- Believe they will increase an additional $600 for total of $1,200
- Believe they will increase to $2,000
- Not sure

INDIVIDUAL RELIEF

- Pandemic Unemployment Assistance program, Pandemic Emergency Unemployment Compensation program & additional $300 per week for all workers receiving unemployment benefits
    - Renewed through March 14, 2021
    - Friendly reminder that unemployment benefits are taxable.

Charitable Contributions

- 2020 – above the line $300 deduction for charity for non-itemizers
  - Extended to 2021
  - Provides joint filers receive deduction of $600 in 2021.

- Cash contributions made by individuals to 50% charities are not limited by adjusted gross income (AGI) limitation for tax years 2020 and 2021.
  - Reminder cash to a donor advised fund would not qualify

Individual Tax Law Changes

Medical Expense Deduction

- Medical expense 7.5% AGI floor to deduct qualified medical expenses made permanent.
- AGI threshold was slated to increase after 2020.

Treatment of Mortgage Insurance Premiums as Qualified Residence Interest

- Mortgage insurance premiums paid or accrued in connection with acquisition indebtedness with respect to taxpayer's qualified residence are treated as deductible qualified residence interest
- Subject to income phaseouts - $100,000-$110,000 married joint
- CCA extends this treatment through 2021.

$250 Educator Expense Deduction applies for Protective Equipment

- Treasury is required to issue regulations/guidance so that cost of PPE and supplies for prevention of COVID-19 spread is an eligible expense for the educator.
- Rule will apply retroactively to 3/12/2020

Higher Education Expenses

- Deduction for qualified tuition and related expenses is repealed (IRC Sec. 222)
- Lifetime learning credit income phase out levels are increased to equal those which apply to the American Opportunity Credit

Earned Income Tax Credit and Child Tax Credit

- Lower-income individuals may use earned income from 2019 to calculate earned income tax credit & refundable portion of child tax credit for 2020 tax year
    - Will help those who may have had lower “earned” income in 2020 due to Covid-19 pandemic receive a greater refund in 2020

Exclusion from Gross Income of Qualified Principal Residence Indebtedness

- Under prior law:
  - Discharge of indebtedness income from qualified principal residence debt, up to $2 million limit ($1 million for married individuals filing separately) was excluded from gross income
  - For tax years beginning before January 1, 2021
- New Law:
  - Extends this exclusion to discharges of indebtedness before January 1, 2026.
  - Reduces the above maximum acquisition indebtedness limits to $750,000 and $375,000, respectively.

Exclusion for Certain Employer Payments of Student Loans

- CARES Act added to the educational payments excluded from an employee's gross income, "eligible student loan repayments" made after March 27, 2020 and before January 1, 2021.
    - Subject to the overall $5,250 per employee limit for all educational payments
    - Eligible student loan repayments are payments by the employer, whether paid to the employee or a lender, of principal or interest in any qualified higher education loan.
- CCA extends the exclusion for loan repayments through 2025.

HERBEIN
CPAS + CONSULTANTS

BUSINESS TAX PROVISIONS

By: Greg Farrell, CPA/ABV, CVA

BEST of Accounting
CLIENT SATISFACTION
2020

1.855.HC.Today | www.herbein.com

Poll # 5

Which tax saving opportunities do you expect to be able to use – check all that apply:

- Energy Efficient Commercial Building Deduction
- Railroad Track Maintenance Credit
- Look-Thru Rule for Related CFCs
- New Markets Tax Credit
- Work Opportunity Credit
- Seven-Year Recovery Period - Motorsports Entertainment Complexes
- Expensing Rules – Certain Productions
- Empowerment Zone Tax Incentives
- Employer Credit – Paid Family and Medical Leave
- Not sure

Summary of Topics

- Miscellaneous Provisions – Presented in Summary
- Extenders – Presented in Summary
- Disaster Relief Provisions
- Energy Relief Provisions
- Payroll and Payroll Taxes Provisions
- Pension and Health Provisions

CERTAIN INFORMATION REPORTING REQUIREMENTS

- **New Law** – The COVIDTRA provision allows the Treasury Department to waive information reporting requirements for any amount excluded from income by the exclusion of covered loan amount forgiveness, the exclusion of emergency financial aid grants or the exclusion of certain loan forgiveness and other business financial assistance under the CARES Act (the "Act"). (COVIDTRA Sec. 279)

FARMERS' NET OPERATING LOSS CHANGES

- **New Law** – The COVIDTRA allows farmers who elected a two-year net operating loss carryback prior to the CARES Act to elect to retain that two-year carryback rather than claim the five-year carryback provided in the CARES Act. It also allows farmers who previously waived an election to carry back a net operating loss to revoke the waiver.

- **Effective date** – These provisions apply retroactively as if included in Section 2303 of the CARES Act. (CARES Act Sec. 2303, as amended by COVIDTRA Sec. 281)

MINIMUM LOW-INCOME HOUSING TAX CREDIT RATE

- **New Law** – The Act provides a 4% per-year credit floor for buildings that aren't eligible for the 9% credit floor. (Code Sec. 42(b), as amended by TCDTR Sec. 201(a))

- **Effective date** – The provision applies to buildings placed in service after December 31, 2020, that (1) receive an allocation of housing credit dollar amount after December 31, 2010, and (2) if any portion of the building is financed with certain tax- exempt obligations described in Code Sec. 42(h)(4)(A), the obligation is issued after December 31, 2020. (TCDTR Sec. 201(b))

DEPRECIATION OF CERTAIN RESIDENTIAL RENTAL PROPERTY OVER 30-YEAR PERIOD

- **New Law** – For tax years beginning after December 31, 2017, the Act assigns a 30-year ADS depreciation period to residential rental property even though it was placed in service before January 1, 2018, if the property is held by an electing real property trade or business, and before January 1, 2018, was not subject to the ADS. (TCDTR Sec. 202 amending TCJA Sec. 13204(b))

HERBEIN CPAS + CONSULTANTS

MINIMUM RATE OF INTEREST FOR CERTAIN DETERMINATIONS RELATED TO LIFE INSURANCE CONTRACTS

- **New Law** – TCDTR updates Code Sec. 7702 to reflect the interest rate environment that has been exacerbated by the current crisis and ensures that the rates will continue to appropriately reflect economic conditions, by tying the rates to either a floating rate prescribed in the National Association of Insurance Commissioners' Standard Valuation Law or a floating rate based on the average applicable federal mid-term rates over a 60-month period. (Code Sec. 7702, as amended by TCDTR Sec. 205)

- **Effective date** – These amendments apply to contracts issued after December 31, 2020. (TCDTR Sec. 205 (e))

HERBEIN CPAS + CONSULTANTS

50% LIMIT ON BUSINESS MEAL DEDUCTION IS SUSPENDED FOR MEALS PROVIDED BY RESTAURANTS IN 2021 AND 2022

- **New Law** – Under the Act, the 50% limit will not apply to expenses for food or beverages provided by a restaurant that are paid or incurred after December 31, 2020, and before January 1, 2023. (Code Sec. 274(n)(2)(D), as amended by TCDTR Sec. 210)

- **Observation** – The use of the word “by” (rather than “in”) in a restaurant makes it clear that the new rule isn’t limited to meals eaten on the restaurant’s premises. Takeout and delivery meals provided by a restaurant are also fully deductible.

LOW-INCOME HOUSING TAX CREDIT – INCREASED CEILING

- **New Law** – For purposes of the LIHTC, the state housing credit ceiling for any state for each of calendar years 2021 and 2022 will be increased by the aggregate housing credit dollar amount allocated by the state housing credit agencies of that state for that calendar year to buildings located in any qualified disaster zone in that state. (TCDTR Sec. 305(a))
- **Effective date** – Calendar years 2021 and 2022.

SUMMARY OF EXTENDERS AND EXCISE PROVISIONS

- Energy Efficient Commercial Building Deduction
- Railroad Track Maintenance Credit
- Look-Thru Rule for Related CFCs
- New Markets Tax Credit
- Work Opportunity Credit

BUSINESS TAX PROVISIONS

SUMMARY OF EXTENDERS AND EXCISE PROVISIONS – CONTINUED

- Seven-Year Recovery Period - Motorsports Entertainment Complexes
- Expensing Rules – Certain Productions
- Empowerment Zone Tax Incentives
- Employer Credit – Paid Family and Medical Leave
- Various Others Not Listed Here

HERBEIN CPAS + CONSULTANTS

EXTENDERS: ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION

- **New Law** – The Act makes this deduction permanent. (Code Sec. 179D, as amended by Act Sec. 102(a)) The Act also added an inflation adjustment for tax years beginning after 2020 (Code Sec. 179D(g), added by Act Sec. 102(b)) and amended the standards set out in Code Sec. 179D(c). (Act Sec. 102(c)).

EXTENDERS: RAILROAD TRACK MAINTENANCE CREDIT

- **New Law** – The Act makes the Railroad Track Maintenance Credit permanent for tax years ending after the date of the Act's enactment (Code Sec. 45G, as amended by Act Sec. 105(a)).

- The Act also reduces the 50% credit rate to 40% for tax years beginning after December 31, 2022 (Code Sec. 45G(a), as modified by Act Sec. 105(b)).

EXTENDERS: LOOK-THRU RULE FOR RELATED CONTROLLED FOREIGN CORPORATIONS

- **New Law** – The Act extends the Look-Thru Rule for related CFCs through 2025. (Code Sec. 954(c)(6)(C), as amended by Act Sec. 111(a))

EXTENDERS: NEW MARKETS TAX CREDIT

- **New Law** – The Act extends the $5 billion New Markets Tax Credit allocation for each calendar year from 2020 through 2025. (Code Sec. 45D(f)(1)(H), as amended by Act Sec. 112(a))

- The Act also extends by five years, through 2030, the carryover period for unused New Markets Tax Credits. (Code Sec. 45D(f)(3), as amended by Act Sec. 112(b))

EXTENDERS: WORK OPPORTUNITY CREDIT

- **New Law** – The Act extends the credit through 2025. (Code Sec. 51(c)(4), as amended by Act Sec. 113) The amendment applies to individuals who begin work for the employer after December 31, 2020.

EXTENDERS: SEVEN-YEAR RECOVERY PERIOD FOR MOTORSPORTS ENTERTAINMENT COMPLEXES

- **New Law** – The Act extends the seven-year recovery period through 2025, applicable to property placed in service after December 31, 2020. (Code Sec. 168(i)(15)(D), as amended by Act Sec. 115)

EXTENDERS: EXTENSION OF EXPENSING RULES FOR CERTAIN PRODUCTIONS

- **New Law** – The Act extends this deduction through 2025 for productions commencing after December 31, 2020. (Code Sec. 181(g), as amended by Act Sec. 116)

HERBEIN
CPAS + CONSULTANTS

EXTENDERS: EMPOWERMENT ZONE TAX INCENTIVES

- **New Law** – The Act extends through December 31, 2025, the period for which the designation of an empowerment zone is in effect. (Code Sec. 1391(d)(1)(A)(i), as amended by Act Sec. 118(a))

EXTENDERS: EMPLOYER CREDIT FOR PAID FAMILY AND MEDICAL LEAVE

- **New Law** - The Act extends this credit through 2025, applying to wages paid in tax years beginning after December 31, 2020. (Code Sec. 45S(i), as amended by Act Sec. 119)

HERBEIN CPAS + CONSULTANTS

Disaster Relief Provisions

The Act also includes tax provisions applicable to employers and persons within "qualified disaster zones."

These provisions include but are not limited to the following:

- Exemption from the 10% penalty for certain distributions from retirement plans
- Temporary suspension of limitations on charitable contributions by corporations making disaster relief contributions; and
- Net disaster losses of individuals exempt from 10% of AGI limitation

Energy Related Provisions

The Act contains numerous tax extenders related to energy credits some of which are summarized below:

Extended through 2021

- Credit for electricity produced from certain renewable resources
- Second generation biofuel producer credit
- Non-Business Energy Property
- Qualified Fuel Cell Refueling Property Credit
- Alternative Fuel Refueling Property Credit
- Two-Wheeled Plug In Electric Vehicle Credit
- Energy Efficient Homes Credit
- Excise Tax Credit Relating to Alternative Fuels

Note – Others

Example- Residential Energy Efficient property credit was extended with various dates and various rates

Payroll and Payroll Tax Provisions

CAA contains several provisions related to payroll and payroll tax including:

- Expansion and extension of employee retention credit
- An extension of the payback period for certain deferred payroll taxes to December 31, 2021:
  - Presidential Memorandum August 8, 2020
  - IRS Notice 2020-65 (Basis framework)
  - Original deferral period ended April 30, 2021
  - Now deferred amounts are to be repaid by December 31, 2021

HERBEIN CPAS + CONSULTANTS

Payroll and Payroll Tax Provisions

FFCRA – Payroll Tax Credit

Payroll tax credits extended through March 31, 2021 and available to employers who provide FFCRA paid family and medical leave.

A few points to follow:

- Credit against employer portion of social security taxes
- Tax credit is equal to 100% of the paid leave wages
- Any excess credit is refundable overpayment
- "Cap" tied to type of leave

Payroll and Payroll Tax Provisions

Section 45S Tax Credit

- Originally enacted in 2017 as part of TCJA
- Allows employers to claim a tax credit based on percentages of wages paid to qualifying employees while on paid family and medical leave
- Was scheduled to expire December 31, 2020
- Now set to expire December 31, 2025

HERBEIN CPAS + CONSULTANTS

Pension and Health Provisions

- CCA 2021, contains several provisions related to pension and health plans, including:
    - Money Purchase Plan Distributions can qualify as Coronavirus-related distributions, which provides an exception to the 10% additional tax for early distributions.

POLL # 6

Would you like someone from Herbein to follow up on these issues – check all that apply:

- PPP Loan Application
- PPP Loan Forgiveness
- Individual Tax
- Business Tax
- Not at this time

HERBEIN

CPAS + CONSULTANTS

1.855.HC.Today | www.herbein.com