

December 22, 2020

## Consolidated Appropriations Act, 2021

The U.S. Senate and House of Representatives have passed a \$900 billion COVID-19 relief bill that provides \$600 stimulus payments to individuals, adds \$300 to extended weekly unemployment benefits, and provides more than \$300 billion in aid for small businesses. The Consolidated Appropriations Act, 2021 is the largest bill ever passed by Congress at over 5,500 pages. Here are some of the key tax provisions in the legislation:

### **Direct Payments to Individuals**

The Act authorizes direct payments to individuals called an advance tax credit in the amount of \$600 per individual taxpayer (\$1,200 for married filing jointly) and \$600 per qualifying child. The advance tax credit is phased out based on the 2019 adjusted gross income (AGI) beginning at an AGI of \$150,000 in the case of a joint return, \$112,500 in the case of head of household and \$75,000 for all other taxpayers. The payments are expected to be made during the first few weeks of January, but no later than September 30, 2021.

### **Unemployment Benefits**

Workers receiving unemployment benefits will receive a \$300 per week supplement from Dec. 26 until March 14, 2021. This bill also extends the Pandemic Unemployment Assistance (PUA) program, with expanded coverage to the self-employed, gig workers, and others in nontraditional employment, and the Pandemic Emergency Unemployment Compensation (PEUC) program, which provides additional weeks of federally funded unemployment benefits to individuals who exhaust their regular state benefits.

### **Charitable contribution deduction by non-itemizers**

The provision extends, through 2021, the \$300 charitable contribution deduction for qualified contributions made by non-itemizers. The deduction is \$600 if claimed on a joint return.

### **PPP:**

- The provision allows for full deductibility of expenses paid with forgiven PPP funds
- For the forgiveness process, PPP borrowers with loans of \$150,000 or less will be able to attest, on a single-page form to be released, that they complied with PPP requirements, when applying for forgiveness.
- The Act provides for additional eligible nonpayroll expenses, classified as covered operations expenditures, covered property damage costs, covered supplier costs and covered worker protection expenditures as forgivable costs.
- The Act repeals the requirement that the SBA deduct an EIDL Advance from the PPP loan forgiveness amount.

### **PPP2**

PPP2 loans will be available to first-time qualified borrowers and, for the first time, to businesses that previously received a PPP loan. Previous PPP recipients may apply for another loan of up to \$2 million, provided they have 300 or fewer employees, have used or will use the full amount of their first PPP loan, and can show a 25% gross revenue decline in any 2020 quarter compared with the same quarter in 2019.

**Some additional business provisions:**

- The provision extends the tax credit for employers offering qualified paid sick and family leave under the Families First Coronavirus Response Act to March 31, 2021 instead of Dec. 31, 2020.
- The provision temporarily amends section 274(n)(2) to allow a full business deduction for certain business meals. Under the temporary change, the cost of food or beverages provided by a restaurant, and paid or incurred during the 2021 and 2022 calendar years, will be 100% deductible, provided that the amounts would otherwise be deductible under the section.

**Sources to Bookmark**

The US Treasury Department: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

The Small Business Administration: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

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If you have any questions regarding these updates feel free to contact our office. We are more than happy to help!

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