
Covid-19 – Consolidated Appropriations Act, 2021

The Consolidated Appropriations Act, 2021 (CAA-2021) was signed into law by President Donald J. Trump on December 27, 2020. This massive piece of legislation covers spending by the federal government of roughly \$2.3 trillion and runs 5,953 pages in length. The bill has two primary goals: (1) fund the operations of the federal government for the remainder of Fiscal Year 2021 – \$1.4 trillion and (2) to provide approximately \$900 billion in additional economic stimulus and targeted spending to combat the Covid-19 pandemic in the U.S.

The following is a brief, high-level summary of a few of the many Covid-19 related elements of this act.

Coronavirus Stimulus Efforts Affecting Individuals

- **Economic Impact Payments (EIP):** CAA-2021 authorizes an additional round of direct cash payments of \$600 per person. A qualifying married couple with two dependent children will receive \$2,400 in direct payments. The payments are phased out for those with incomes in excess of certain limits.
- **Unemployment insurance:** The Act provides an additional \$300 per week for all workers receiving unemployment benefits, through March 14, 2021. The bill also extends the Pandemic Unemployment Assistance (PUA) program (covering gig workers and others in non-traditional employment), and the Pandemic Emergency Unemployment Compensation program (for those who have exhausted their regular state unemployment benefits).
- **Rental assistance:** CAA-2021 earmarks \$25 billion for a federal rental assistance program, with the funds to be distributed by state and local governments. Families may use this assistance to pay rent, past due rent, and utility and energy bills. Also included is an extension of the existing CDC eviction moratorium through January 31, 2021.

Covid-19 – Consolidated Appropriations Act, 2021

- **Earned Income Tax Credit (EITC) and Child Tax Credit (CTC):** The legislation allows taxpayers to use their earned income in either 2019 or 2020 in calculating their EITC and the refundable portion of the CTC on a 2020 income tax return.

Coronavirus Stimulus Efforts Affecting Business

- **Paycheck Protection Program (PPP):** CAA-2021 includes some \$284 billion for first and second forgivable PPP loans and includes dedicated set-asides for very small business. The act expands eligibility for the PPP program and makes clear that allowable business expenses paid for with a forgiven PPP loan are deductible.
- **Employee Retention Tax Credit:** The Act encourages businesses to retain employees by extending and expanding the Employee Retention Tax Credit, through March 31, 2021. The credit may now be claimed on up to 70% of wages on wages up to \$10,000 per quarter. Under prior law, the credit limit per eligible employee was 50% of wages up to \$10,000 per year.
- **Paid Sick and Family Leave:** The legislation extends the refundable payroll tax credits for paid sick and family leave, through the end of March 2021.
- **Work Opportunity Tax Credit:** CAA-2021 extends, through 2025, the elective general business credit to employers who hire individuals who are members of one or more of ten targeted groups under the Work Opportunity Tax Credit program.

Income Tax Changes

CAA-2021 makes a significant number of changes to the federal¹ income tax code, including:

- **7.5% medical expense floor:** Beginning in 2021, the legislation makes permanent for all taxpayers the 7.5% of AGI threshold for deducting unreimbursed medical expenses.
- **Qualified tuition deduction:** For tax years beginning after 2020, the Act repeals the deduction for qualified tuition and expenses and replaces it by increasing the phase-

¹ The discussion here concerns *federal* income tax law; state or local income tax law may differ.

Covid-19 – Consolidated Appropriations Act, 2021

- out limits on the Lifetime Learning credit from \$58,000 (\$116,000 for joint filers) to \$80,000 (\$160,000 for joint filers).
- **Discharge of qualified principal residence indebtedness:** CAA-2021 extends, through 2025, the exclusion from gross income for a discharge of qualified principal residence indebtedness. The new law reduces the maximum amount that may be excluded from \$2,000,000 to \$750,000.
- **Charitable contributions:** The Act extends and modifies the non-itemizer charitable deduction for 2021. The provision increases the maximum amount that may be deducted such that married couples filing a joint return may deduct up to \$600 (while non-married filers or married filers who file separately are limited to \$300). The Act also extends for one year the increased limit from the CARES Act on deductible charitable contributions for corporations and taxpayers who itemize.
- **Temporary 100% deduction for business meals:** CAA-2021 provides a 100-percent deduction for business meal food and beverage expenses, including any carry-out or delivery meals, provided by a restaurant that are paid or incurred in 2021 and 2022.

Other Act Provisions

The Act also contains a large number of provisions, for varied purposes, such as

- The “No Surprises Act,” requiring health plans to hold patients harmless from surprise medical bills in situations involving out-of-network emergency care.
- Targeted expenditures to combat the Covid-19 pandemic, such as:
 - \$22.4 billion for testing, tracing and COVID mitigation programs.
 - \$19 billion for COVID vaccine production.
 - \$8.75 billion for vaccine distribution.
- Changes and improvements to Medicare and Medicaid.

Covid-19 – Consolidated Appropriations Act, 2021

- Support for education, including \$54.3 billion for public K-12 schools, \$4.05 billion for private K-12 schools, and \$22.7 billion to support higher education.
- \$13 billion to increase SNAP (food stamp) benefits, as well as \$13 billion for direct payments, purchases, and loans to farmers and ranchers who have suffered losses due to the pandemic.

Online Resources

Online resources that may be helpful include:

- <https://www.coronavirus.gov/>
- <https://www.usa.gov/coronavirus/>
- U.S. Department of Agriculture: <https://www.usda.gov/>
- U.S. Department of Education: <https://www.ed.gov/coronavirus?src=feature>
- U.S. Department of Housing and Urban Development: <https://www.hud.gov/coronavirus>
- Internal Revenue Service: <https://www.irs.gov/coronavirus-tax-relief-and-economic-impact-payments>
- U.S. Department of Labor: <https://www.dol.gov/coronavirus>
- U.S. Small Business Administration: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

Seek Professional Guidance

The foregoing is a highly simplified overview of some of the provisions in the Consolidated Appropriations Act, 2021. To receive maximum benefit from this legislation, the advice and guidance of trained, experienced professionals is strongly recommended.