

American Rescue Plan Act of 2021

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Cross References

- H.R. 1319

Signed into law on March 11, 2021, the American Rescue Plan Act of 2021 provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. The law contains a number of provisions that amend the Internal Revenue Code, some of which retroactively affect 2020 income tax returns. The following is our coverage of the tax provisions in the new law.

Recovery Rebate Credit and Round 3 of Economic Impact Payments

- IRC §6428B

Eligible individuals may qualify for a 2021 rebate amount of up to \$1,400 per taxpayer (\$2,800 MFJ), plus \$1,400 per dependent. This amount is treated as a refundable Recovery Rebate Credit on the taxpayer's 2021 tax return.

Stimulus checks (EIPs). Like rounds 1 and 2, the IRS will issue round 3 advanced stimulus checks, which are called economic impact payments (EIPs), to eligible individuals based upon a taxpayer's 2019 tax return. The IRS will calculate the EIP on how it would have been calculated as a Recovery Rebate Credit on the 2019 tax return, using the taxpayer's 2019 AGI and 2019 dependents, etc. Any EIP received reduces the Recovery Rebate Credit (but not below zero) that may be claimed on the 2021 tax return. If the IRS has already processed the taxpayer's 2020 tax return, the IRS will use the 2020 return information instead of the 2019 return information to calculate the EIP.

The IRS has until December 31, 2021 to issue advanced EIPs.

Additional payment. The IRS will also issue an additional advanced EIP to taxpayers who file their 2020 tax return if the 2020 return provides for a greater EIP than what the taxpayer received based upon the 2019 return. For this rule to apply, the 2020 return must be filed before the earlier of 90 days after the 2020 filing deadline (July 15, 2021), or September 1, 2021 if the IRS extends the due date for filing 2020 returns for all taxpayers under IRC section 7508A.

Author's Comment

A taxpayer does not have to pay back the portion of the EIP that exceeds the 2021 Recovery Rebate Credit. Thus, if the reverse is true where the 2019 return provides for a greater EIP than the 2020 return, such as the 2020 AGI is in the phase-out range but 2019 AGI is not, a taxpayer might want to file an extension for the 2020 return and wait until the EIP is received.

Dependent. For purposes of the 2021 Recovery Rebate Credit and any advanced EIP, a dependent has the same meaning as a dependent under IRC section 152.

Author's Comment

For rounds 1 and 2, a dependent was defined as an eligible child that could be claimed as a dependent under the age of 17. Round 3 simply defines a dependent as someone who can be claimed as a dependent on the tax return under IRC section 152, including dependent children over the age of 16 and qualifying relatives.

Phase-out. The 2021 Recovery Rebate Credit begins to phase-out when AGI exceeds:

- Single, MFS.....\$75,000
- MFJ, QW.....\$150,000
- HOH.....\$112,500

The credit is reduced to zero when AGI reaches:

- Single, MFS.....\$80,000
- MFJ, QW.....\$160,000
- HOH.....\$120,000

Author's Comment

Although the beginning AGI phase-out for the 2021 credit is the same as the 2020 credit, the end of the phase-out comes sooner for 2021. The 2020 credit phased out by 5% of the taxpayer's AGI that exceeded the beginning phase-out and there was a separate phase-out for the round 1 portion and the round 2 portion of the credit. The 2021 credit phases out when AGI exceeds the beginning phase-out by \$5,000 for Single and MFS, \$10,000 for MFJ and QW, and \$7,500 for HOH. These amounts are fixed per filing status and are not increased for dependents. The phase-out equals the same proportion that excess AGI bears to the \$5,000/\$10,000/\$7,500 amounts. Thus, if a MFJ return has an AGI of \$155,000, the total credit (including the amounts for dependents) is reduced by 50% ($\$5,000 \div \$10,000$).

Example

Ted and Barb file as MFJ and have two dependent children that qualify for the credit for both 2020 and 2021. Assume their AGI for both 2020 and 2021 equals \$160,000. Their round 1 credit for 2020 equals \$3,400 (\$2,400 + \$500 + \$500), reduced by \$500 (5% of the \$10,000 that exceeds the AGI beginning phase-out amount for MFJ), which equals \$2,900 (\$3,400 minus \$500). Their round 2 credit for 2020 equals \$2,400 (\$1,200 + \$600 + \$600), reduced by \$500 (5% of the \$10,000 that exceeds the AGI beginning phase-out amount for MFJ), which equals \$1,900 (\$2,400 minus \$500). Thus, their combined credit for 2020 equals \$4,800 (\$2,900 + \$1,900). Their 2021 credit is zero because their AGI exceeds the beginning AGI phase-out amount by \$10,000 ($\$10,000 \div \$10,000 = 100\%$ credit reduction).

Eligible individual. The following taxpayers are not eligible individuals for purposes of the Recovery Rebate Credit.

- 1) Any nonresident alien individual,
- 2) Any individual who is a dependent of another taxpayer, and
- 3) An estate or trust.

Identification number requirement. For taxpayers other than MFJ, the \$1,400 amount is reduced to zero if the taxpayer does not include a valid taxpayer identification number on the tax return. For MFJ, the \$2,800 amount is reduced to \$1,400 if only one spouse includes a valid taxpayer identification number on the tax return, and zero if neither spouse has a valid ID number. However, the \$2,800 amount is not reduced if one spouse was a member of the Armed Forces of the United States at any time during the year and at least one spouse includes a valid identification number on the return.

The \$1,400 for a dependent is also reduced to zero if a valid identification number for the dependent is not included on the tax return.

A valid identification number means a Social Security Number issued by the Social Security Administration on or before the due date for filing the tax return. An adoption taxpayer identification number is also a valid identification number for a dependent who is adopted or placed for adoption with the taxpayer.

Deceased individuals. For purposes of determining the EIP, any individual who was deceased before January 1, 2021 is treated as if a valid identification number of such person was not included on the tax return. If a deceased spouse was a member of the Armed Forces of the United States, the valid identification number of one (and only one) spouse is treated as included on the tax return. No EIP will be issued for a dependent of the taxpayer if the taxpayer (both spouses in the case of a MFJ return) was deceased before January 1, 2021.

MFJ to single returns. In the case of a joint return, half of any advanced EIP is treated as a refund or credit to each spouse. Thus, if an EIP was based upon a 2019 or 2020 MFJ return, and a spouse files as single, HOH, or MFS for 2021, half of any EIP received is allocated to that spouse in calculating his or her 2021 Recovery Rebate Credit.

Direct deposits: Rules similar to the direct deposit provisions for round 1 and 2 also apply for round 3.

Taxpayers who do not file tax returns. Similar to round 1 and 2 EIPs, the IRS will issue advanced EIPs to taxpayers who did not file a 2019 or 2020 return based upon other information available to the IRS, such as non-filers who receive Social Security benefits, etc. The IRS is instructed to provide the ability for other non-filers who do not receive government benefits to enter their information (such as on the IRS website) to receive an EIP without the need for filing a 2019 or 2020 return. As with the case for round 1 and 2, if an eligible individual does not receive an EIP for round 3, the individual can file a 2021 tax return to claim the refundable Recovery Rebate Credit.

Individuals not taken into account more than once. The IRS is instructed to issue regulations or guidance to ensure that in determining the amount of any credit or advanced EIP that an individual is not taken into account more than once, including by different taxpayers and including by reason of a change in joint return status or dependent status between the tax year for which an advance refund amount is determined and the tax year for which a credit is determined.

Author's Comment

In other words, if a child is claimed by a parent as a dependent on the 2019 or 2020 return, but is not claimed as a dependent on the 2021 return, and the parent(s) received an EIP based on the child being claimed as a dependent in 2019 or 2020, the child would presumably not be able to claim his or her own Recovery Rebate Credit for 2021 even though he or she is no longer claimed as a dependent in 2021.

Offsets. The EIP for round 3 is not subject to any federal offsets for unpaid taxes subject to levy or collection.

Unemployment Benefit Exclusion for 2020

- IRC §85(c)

Effective for the 2020 tax year only, the first \$10,200 of unemployment compensation is excluded from taxable income. In the case of a joint return, the \$10,200 exclusion applies to unemployment compensation received by each spouse. The exclusion does not apply if modified AGI is \$150,000 or more. Modified AGI is AGI before the exclusion of unemployment compensation, and after the application of:

- Taxable Social Security benefits, calculated without regard to the exclusion of unemployment compensation,
- U.S. Savings bond interest exclusion for qualified higher education, calculated without regard to the exclusion of unemployment compensation,
- Adoption assistance program exclusion, calculated without regard to the exclusion of unemployment compensation,
- IRA deductions for active participants in certain pension plans, calculated without regard to the exclusion of unemployment compensation,

- Student loan interest deduction, calculated without regard to the exclusion of unemployment compensation,
- Tuition and fees deduction, calculated without regard to the exclusion of unemployment compensation (the tuition and fees deduction was repealed for tax years after 2020 but is still allowed for 2020), and
- \$25,000 rental real estate exception to the passive activity loss rules, calculated without regard to the exclusion of unemployment compensation.

Author's Comment

The exclusion only applies for 2020. Unemployment received in 2021 is fully taxable, unless future legislation extends this provision. The law makes no reference to Married Filing Separate returns, meaning the \$150,000 AGI limitation also applies to MFS returns. Thus, married taxpayers with AGI above \$150,000 might want to consider looking at filing as MFS, if that produces a lower tax. MFJ returns already filed do not have the option to file amended returns as MFS after the due date for filing the return. The law makes no reference as to how the IRS will handle 2020 tax returns that have already been filed. Presumably, such returns will have to be amended, unless the IRS issues guidance that provides some kind of short cut filing to take advantage of the exclusion. The IRS and tax software companies will also have their hands full re-working all the worksheets that calculate Social Security benefits and other provisions that are calculated based upon the taxpayer's AGI without regard to the exclusion of unemployment compensation.

Unemployment Benefits Extended

The new law extends the enhanced \$300 per week of Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation to September 6, 2021. These programs were previously set to expire on March 14, 2021. The new law also extends the 50 weeks of benefits to 79 weeks under the Pandemic Unemployment Assistance program, and the 24 weeks of benefits to 53 weeks under the Pandemic Emergency Unemployment Compensation program.

Similar provisions are extended under the Emergency Unemployment relief for governmental entities and nonprofit organizations, and the Railroad Unemployment Insurance Act.

Premium Tax Credit

- IRC §36B

The Premium Tax Credit (PTC) is a refundable credit designed to subsidize the purchase of health insurance through an Exchange. The PTC is based on a sliding scale. The PTC amount is determined based on the percentage of income the cost of premiums represents, ranging from 2% of income for those below 133% of the federal poverty line to

9.5% of income for those at 400% of the federal poverty line. Taxpayers with income above 400% of the federal poverty line do not qualify for the PTC.

2020 tax year suspension of the payback rule. Taxpayers who purchase health insurance through an Exchange may receive an Advanced PTC. This advance is estimated when the taxpayer signs up for insurance through the Exchange using prior year tax information to determine estimated household income for the year and the number of dependents. The Exchange then pays an amount to the health insurance provider, which in turn reduces the monthly health insurance premium paid by the taxpayer. A taxpayer must reconcile the advance on the tax return with the actual PTC allowed for the year. Any advance received reduces the PTC allowed on the tax return. If the advance exceeds the PTC allowed, the taxpayer may have to pay back a portion or all of the excess as an increase in tax liability, depending upon the taxpayer’s income.

The new law provides a special rule for the 2020 tax year only. Any advance that exceeds the PTC allowed is disregarded and does not increase the tax liability on the return. This suspension applies to all taxpayers, regardless of the taxpayer’s income level as a percentage of the federal poverty line.

Author’s Comment

Any 2020 tax return that has already been filed with excess Advanced PTC will need to be amended, unless the IRS provides some kind of short-cut special filing procedure to refund the excess.

Temporary percentages under the new law. The new law changes the percentages to increase the affordability of health insurance for tax years 2021 and 2022. The following table compares the new law percentages with the inflation adjusted amounts that applied for tax year 2020 (2021 and 2022 will not be adjusted for inflation).

Applicable Percentages – Premium Tax Credit				
<i>Tax Year Beginning in:</i>	<i>2021 and 2022</i>		<i>2020</i>	
Household income percentage of federal poverty line:	Initial %	Final %	Initial %	Final %
Up to 133%	0.00%	0.00%	2.06%	2.06%
133% up to 150%	0.00%	0.00%	3.09%	4.12%
150% up to 200%	0.00%	2.00%	4.12%	6.49%
200% up to 250%	2.00%	4.00%	6.49%	8.29%
250% up to 300%	4.00%	6.00%	8.29%	9.78%
300% up to 400%	6.00%	8.50%	9.78%	9.78%
Higher than 400%	8.50%	8.50%	No credit	No credit

Author's Comment

Zero percent means the taxpayer pays 0% of his or her household income for premiums. Thus, all of the health insurance premiums paid through the Exchange for taxpayers in the 0% household income category qualify for the PTC.

Author's Comment

The new law also makes the PTC available to taxpayers with household income above 400% of the federal poverty line, but only if the cost of their health insurance premiums without the credit would exceed 8.5% of their household income.

Example

A single taxpayer in Minnesota age 60 could buy a plan on the Exchange for around \$6,480 per year. 500% of the federal poverty line for a single person in 2021 is \$64,400. $\$64,400 \times 8.5\% = \$5,474$. Thus, under the new law, a 60 year old single taxpayer making 500% of the federal poverty line could receive a PTC to reduce the \$6,480 premium cost down to \$5,474 even though his or her household income exceeds 400% of the federal poverty line in 2021.

Special rule for individuals who receive unemployment compensation during 2021.

Any taxpayer who has received, or has been approved to receive unemployment compensation for any week beginning during 2021 is treated as an applicable taxpayer (a taxpayer who qualifies for the PTC). Any household income of the taxpayer in excess of 133% of the federal poverty line is not taken into account. The joint return requirement under IRC section 36B(c)(1)(C) still applies. The 133% of household income rule does not apply for purposes of the determination of whether or not employer provided coverage is affordable.

Author's Comment

In other words, anyone who receives unemployment compensation during 2021 qualifies for 100% subsidized health insurance through the Exchange, assuming other PTC requirements are met.

Child Tax Credit

- IRC §24(i)

Under prior law, the Child Tax Credit was \$2,000 per qualifying child, of which \$1,400 was refundable.

Effective for the 2021 tax year only:

- The Child Tax Credit is increased to \$3,000 per qualifying child,

- The Child Tax Credit is increased to \$3,600 in the case of a qualifying child who has not yet attained the age of 6 as of the close of the calendar year,
- The age limitation for a qualifying child is increased from age 16 to age 17 (a child who has not yet attained age 18 as of the close of the calendar year),
- The full amount of the Child Tax Credit is a refundable credit.

The \$500 per dependent credit for a dependent who is not a qualifying child remains the same and is not refundable.

Phase-out. The increased Child Tax Credit for 2021 over the prior law \$2,000 amount phases out by \$50 for each \$1,000 (or fraction thereof) by which the taxpayer's modified AGI exceeds the following threshold amounts.

- MFJ, QW..... \$150,000
- HOH..... \$112,500
- Single, MFS..... \$75,000

This phase-out is separate from the phase-out of the Child Tax Credit in general that applies under prior law. For tax years 2018 through 2025, the Child Tax Credit is phased out when modified AGI exceeds \$400,000 for a MFJ return and \$200,000 for all others. Thus, once the increase of the Child Tax Credit is phased-out, the \$2,000 per qualifying child credit still applies until modified AGI reaches the \$400,000/\$200,000 thresholds.

Advance Payment of Child Tax Credit

- IRC §7527A

The IRS is instructed to establish a program for making periodic payments to taxpayers which, in the aggregate during any calendar year, equal the annual advance amount. These periodic payments should be made during the calendar year in equal amounts.

The annual advance amount will be estimated by the IRS as being equal to 50% of the amount of the Child Tax Credit which would be treated as a refundable credit for 2021. The IRS will use tax information from prior years to determine this advanced amount based upon the number and ages of qualifying children listed on prior year returns, as well as other information such as the taxpayer's AGI.

The IRS must establish an on-line portal which allows taxpayers to elect not to receive advanced payments, or to provide updated information which would be relevant to a modification of the annual advance amount, such as a change in the number of qualifying children, a change in marital status, a change in income, etc.

Advance payments will be made during the period beginning July 1, 2021 and ending December 31, 2021.

The Child Tax Credit claimed on the tax return for 2021 will then be reduced by the aggregate amount of advance payments that the taxpayer received. If the aggregate amount of advance payments exceeds the credit allowed, the excess is added to the taxpayer's tax liability for 2021. However, this excess amount may be reduced by a safe harbor amount if modified AGI does not exceed the following applicable income thresholds.

- MFJ, QW..... \$120,000
- HOH..... \$100,000
- Single, MFS.....\$80,000

The safe harbor amount is \$2,000, multiplied by the excess of the number of qualified children taken into account in determining the annual advance amount over the number of qualified children taken into account in determining the Child Tax Credit on the tax return.

Earned Income Credit

- IRC §32

Individuals with no qualifying children. Under prior law, a taxpayer with no qualifying children had to be at least age 25 and under age 65 to qualify for the Earned Income Credit. For MFJ, only one spouse needed to meet these age requirements.

Effective for the 2021 tax year only, the applicable minimum age is lowered to:

- Age 19 if the taxpayer is not a specified student, qualified former foster youth, or qualified homeless youth,
- Age 24 if the taxpayer is a specified student, but is not a qualified former foster youth or a qualified homeless youth, and
- Age 18 if the taxpayer is a qualified former foster youth or a qualified homeless youth.

A specified student is an individual who is an eligible student under the American Opportunity credit rules (at least a half-time student) for at least five months during the year.

A qualified former foster youth means an individual who was in foster care on or after age 14 under part B or E of title IV of the Social Security Act.

A qualified homeless youth means an individual who certifies that he or she is either an unaccompanied youth who is a homeless child or youth, or is unaccompanied, at risk of homelessness, and self-supporting.

The new law eliminates the under age 65 limitation for 2021.

The phase-out percentage is increased under the new law from 7.65% to 15.3%. The phase-out amounts are also increased. The earned income amount is increased to \$9,820, and the phase-out amount is increased to \$11,610.

Author's Comment

Prior to the new law, the IRS stated the 2021 inflation adjusted maximum Earned Income Credit for a taxpayer with no qualifying children was \$543. We expect the IRS to issue an updated ruling that states the 2021 inflation adjusted maximum amount equals \$1,502.

Failure to meet qualifying child tax ID requirement. Effective for all tax years beginning after December 31, 2020, taxpayers who have one or more qualifying children that do not meet the taxpayer identification number requirement are allowed to claim the Earned Income Credit under the no qualifying children rule.

Married filing separate. Under prior law, the Earned Income Credit was not allowed if the taxpayer was married and filed a separate return.

Effective for all tax years beginning after December 31, 2020, an individual is not treated as married if such individual:

- Is married and does not file a joint return for the tax year,
- Resides with a qualifying child for more than one-half of the tax year, and
- During the last six months of the year, does not have the same principal place of abode as his or her spouse, or has a decree, instrument, or agreement (other than a decree of divorce) with respect to his or her spouse and is not a member of the same household with his or her spouse by the end of the tax year.

Investment income test. Under prior law, the inflation adjusted investment income limitation for 2021 was \$3,650. Effective for all tax years beginning after December 31, 2020, the investment income limitation for the Earned Income Credit is increased to \$10,000. This amount will be adjusted for inflation after 2021.

Election to use 2019 earned income for 2021 earned income. Effective for the 2021 tax year only, if the earned income for 2021 is less than the earned income for 2019, the taxpayer may elect to use 2019 earned income when calculating the 2021 Earned Income Credit. If a joint return is filed for 2021, the 2019 earned income equals the sum of the earned income of each spouse. This election has no effect on the determination of gross income under any other provision of the Internal Revenue Code.

Dependent Care Expense Credit

- IRC §21(g)

Refundable credit. Effective for the 2021 tax year only, the Child and Dependent Care Expense Credit under IRC section 21 is a refundable credit. This provision applies only if the taxpayer's principal place of abode is in the U.S. for more than one-half the year.

Increased dollar limit. Effective for the 2021 tax year only, the \$3,000 dollar limitation on expenses paid for one qualifying person is increased to \$8,000, and the \$6,000 dollar limitation on expenses paid for two or more qualifying persons is increased to \$16,000.

Increase in applicable percentage. The Child and Dependent Care Expense Credit equals a percentage of expenses paid, ranging from 35% for taxpayers with AGI not over \$15,000 down to 20% for taxpayers with AGI over \$43,000. The 35% is reduced by one percentage point for every \$2,000 of AGI in excess of \$15,000 (or fraction thereof), but not below 20%. Thus, for example, a taxpayer with AGI of \$30,000 that paid \$10,000 to a day care facility to care for two children would get a credit equal to \$1,620 (\$6,000 maximum expense limit multiplied by 27%, which is 35% reduced by eight percentage points).

Effective for the 2021 tax year only:

- The 35% is increased to 50%,
- The \$15,000 is increased to \$125,000, and
- The 20% amount is replaced with a phase-out percentage.

The phase-out percentage means 20% reduced (but not below zero) by one percentage point for each \$2,000 (or fraction thereof) by which AGI exceeds \$400,000.

The following chart illustrates the new credit percentages that apply for 2021.

If AGI is over:	But not over:	Percentage is:	If AGI is over:	But not over:	Percentage is:
0	– 125,000	50%	175,000	– 177,000	24%
125,000	– 127,000	49%	177,000	– 179,000	23%
127,000	– 129,000	48%	179,000	– 181,000	22%
129,000	– 131,000	47%	181,000	– 183,000	21%
131,000	– 133,000	46%	183,000	– 400,000	20%
133,000	– 135,000	45%	400,000	– 402,000	19%
135,000	– 137,000	44%	402,000	– 404,000	18%
137,000	– 139,000	43%	404,000	– 406,000	17%
139,000	– 141,000	42%	406,000	– 408,000	16%
141,000	– 143,000	41%	408,000	– 410,000	15%
143,000	– 145,000	40%	410,000	– 412,000	14%
145,000	– 147,000	39%	412,000	– 414,000	13%
147,000	– 149,000	38%	414,000	– 416,000	12%
149,000	– 151,000	37%	416,000	– 418,000	11%
151,000	– 153,000	36%	418,000	– 420,000	10%
153,000	– 155,000	35%	420,000	– 422,000	9%
155,000	– 157,000	34%	422,000	– 424,000	8%
157,000	– 159,000	33%	424,000	– 426,000	7%
159,000	– 161,000	32%	426,000	– 428,000	6%
161,000	– 163,000	31%	428,000	– 430,000	5%
163,000	– 165,000	30%	430,000	– 432,000	4%
165,000	– 167,000	29%	432,000	– 434,000	3%
167,000	– 169,000	28%	434,000	– 436,000	2%
169,000	– 171,000	27%	436,000	– 438,000	1%
171,000	– 173,000	26%	438,000	and over	0%
173,000	– 175,000	25%			

Example

MFJ return has AGI equal to \$150,000 in 2021. The taxpayers pay a day care facility \$20,000 to care for their three children while both are at work. Their credit equals \$5,920 (16,000 × 37%).

Dependent Care Assistance Program

- IRC §129(a)(2)(D)

The Dependent Care Assistance Program allows employees to exclude employer provided dependent care assistance benefits from taxable income. The employer provided benefits are excluded if they are used to pay for the same expenses that generally would otherwise qualify for the Dependent Care Expense Credit. Under prior law, the maximum exclusion was \$5,000 (\$2,500 MFS), regardless of the number of dependents that were being cared for.

Effective for the 2021 tax year only, the \$5,000 maximum exclusion is increased to \$10,500 (\$5,250 MFS).

Employer plans may retroactively be amended for the 2021 tax year to take advantage of the increased dollar limits if they are amended no later than the last day of the 2021 plan year.

Student Loan Forgiveness Exclusion

- IRC §108(f)(5)

Debt forgiveness is generally taxable. Under IRC section 108(f), student loan debt forgiveness may be excluded from taxable income if the individual works in a certain profession for a certain period of time in some type of public service. For example, a health care professional works in an under-served community for a period of time in exchange for cancellation of his or her student loan debt. Student loan debt forgiveness may also be excludable in the case of death or disability of the borrower.

The new law provides for a special rule, effective for tax years 2021 through 2025. Gross income does not include any amount which otherwise would be includible in taxable income by reason of debt forgiveness if:

- A) The student loan is provided expressly for post-secondary education expenses, regardless of whether it is provided through the educational institution or directly to the borrower, if such loan is made, insured, or guaranteed by:
 - i) The United States, or an instrumentality or agency thereof,
 - ii) A state, territory, or possession of the U.S., or the District of Columbia, or any political subdivision thereof, or
 - iii) An eligible educational institution (one that qualifies for the American Opportunity or Lifetime Learning credits),
- B) Any private education loan (as defined under the Truth in Lending Act),
- C) Any loan made by a non-profit educational organization described in IRC section 170(b)(1)(A)(ii), if such loan is made:
 - i) Pursuant to an agreement with any entity described in (A) or (B) above under which the funds were provided to such educational organization, or
 - ii) Pursuant to a program which is designed to encourage its students to serve in occupations with unmet needs or in areas with unmet needs and under which the services are for or under the direction of a governmental unit or an exempt organization described in IRC section 501(c)(3), or
- D) Any loan made by a non-profit educational organization described in IRC section 170(b)(1)(A)(ii), or an exempt organization described in IRC section 501(c)(3) to refinance a loan to an individual to assist the individual in attending such educational organization but only if the refinancing loan is pursuant to a program which is designed as described under (C)(ii) above.

The above special rule does not apply to the discharge of a loan made by an organization described in (C) above or made by a private education lender if the discharge is on account of the borrower performing services for either such organization or for such private education lender.

Author's Comment

In other words, the exclusion can apply to any discharge of student loan debt for any reason, including private student loans, as long as there is no provision for the student to provide services to the discharging lender. The new law does not require any of the above lenders to discharge student loan debt for any reason. It merely allows the student to exclude the discharged debt from taxable income, if the lender so chooses to discharge the debt.

Paid Sick Leave and Paid Family Leave Payroll Tax Credits

- IRC §3131, *Credit for paid sick leave*
- IRC §3132, *Payroll credit for paid family leave*

The new law reinstates the \$511/\$200 per day 100% refundable payroll tax credit for employees who receive paid sick leave or paid family leave for reasons related to COVID-19. The original Paid Sick Leave and Paid Family Leave Credits were included in the Families First Coronavirus Response Act (FFCRA) that was enacted on March 18, 2020 and applied to wages paid for the period beginning April 1, 2020, and ending December 31, 2020. The Consolidated Appropriations Act, 2021, extended the applicable time period deadline to March 31, 2021, but did not increase or extend the per employee maximums. The credit limitations were a per employee in the aggregate limitation, not a per year limitation.

New period for Paid Sick Leave Credit. The new law sets up a new applicable period for paid sick leave wages for the period beginning on April 1, 2021, and ending on September 30, 2021. This means that a new up to 10 days of paid sick leave is available, and applies in the aggregate to the second and third calendar quarters of 2021 without regard to whether the employee received paid sick leave for any period prior to April 1, 2021.

New period for Paid Family Leave Credit. The new law also extends the applicable period for the Paid Family Leave Credit for the period beginning on April 1, 2021, and ending on September 30, 2021. However, unlike the Paid Sick Leave Credit, the \$200 per day Paid Family Leave Credit is limited to \$12,000 in the aggregate for all calendar quarters, including all quarters prior to April 1, 2021. Thus, if an employee had already reached the \$10,000 limit during 2020 and the first quarter of 2021 under prior law, the employee would qualify for an additional \$2,000 of wages for the new extended period.

Paid sick leave wages. The \$511/\$200 per day limitations on paid sick leave wages under the new law must be paid for the same reasons as under prior law, with some modifications.

Under prior law, employers receive a credit for paid sick leave if the employee is unable to work or telework due to any of the following.

- 1) The employee is under a federal, state, or local quarantine or isolation order related to COVID-19,
- 2) The employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19,

- 3) The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis,
- 4) The employee is caring for an individual who is subject to a federal, state, or local quarantine or isolation order related to COVID-19, or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19,
- 5) The employee is caring for the child of such employee if the school or place of care of the child has been closed, or the child care provider of such child is unavailable, due to COVID-19 precautions, or
- 6) The employee is experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services.

The \$511 per day per employee, limited to 10 days applies to reasons (1), (2), and (3) above. The \$200 per day per employee, limited to 10 days applies to reasons (4), (5), and (6) above.

The new law adds new language to the above paid sick leave eligibility rules by stating that an employee qualifies for leave if the employee is seeking or awaiting the results of a diagnostic test for, or a medical diagnosis of, COVID-19 and such employee has been exposed to COVID-19 or the employee's employer has requested such test or diagnosis, or the employee is obtaining immunization related to COVID-19 or recovering from any injury, disability, illness, or condition related to such immunization. This new language is added to the category for reasons (1), (2), and (3) above, meaning the \$511 per day per employee limit applies.

Paid family leave wages. Under the FFCRA, the \$200 per day per employee for paid family leave, limited to \$10,000, applies to paid leave for reason (5) above under the paid sick leave wage rules. The new law increases this limit to \$12,000 for all calendar quarters, but also expands the eligibility rules for periods after March 31, 2021.

Under the new rules, all of the reasons listed above under the paid sick leave rules qualify for the Paid Family Leave Wage Credit, including the new language for seeking or awaiting the results of a diagnostic test and immunization related reasons. The net effect of this rule means that after an employee has used up the 10 day limit under the paid sick leave rules, the employee will continue to qualify for paid family leave, up to the paid family leave dollar limitation.

Union benefits. Prior law had also included certain qualified health plan expenses to be allocated to qualified sick leave and family leave wages. The new law adds a provision for certain union benefits to be added to qualified wages, such as collectively bargained defined benefit pension plan contributions.

Extended statute of limitations. Under the general rules of IRC section 6501, the IRS has up to three years to assess taxes, meaning they have three years to challenge deductions and credits claimed on a tax return (with some exceptions for substantial underpayments of tax or fraud). The new law provides for a special five year statute of limitations in connection with the Paid Sick Leave and Family Leave Credits.

Elections. Employers may elect to not take certain wages into account for purposes of the Paid Sick Leave and Family Leave Credits. This election allows the employer to use such wages for other benefits, such as the forgiveness of a PPP loan.

Coordination with other benefits. The credit for paid sick leave and paid family leave wages does not apply to wages taken into account as payroll costs in connection with:

- A PPP loan,
- A grant under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, or
- A Restaurant Revitalization Grant under the American Rescue Plan Act of 2021.

However, the IRS is directed to issue guidance in the case where payroll costs are used for a PPP loan that eventually is not forgiven.

Nondiscrimination rules. The credit for paid sick leave and paid family leave wages does not apply if the employer discriminates in favor of highly compensated employees, full-time employees, or employees on the basis of employment tenure.

Credit for Sick Leave and Family Leave for Certain Self-Employed Individuals

The new law extends the provision that allows self-employed individuals to claim a tax credit for qualified sick leave equivalent amounts and qualified family leave equivalent amounts. This extension applies to days occurring during the period beginning on April 1, 2021, and ending on September 30, 2021.

Eligible individuals. Self-employed individuals who regularly carry on a trade or business are eligible for the credit if they would be entitled to receive paid sick leave or paid family leave as an employee of an employer (other than himself or herself). See *Paid Sick Leave and Paid Family Leave Payroll Tax Credits* above for the reasons why an employee is eligible to receive paid leave from an employer. The new law adds the new language for seeking or awaiting the results of a diagnostic test and immunization related reasons to the credit for self-employed individuals.

New credit for 2021. The new law applies the credit separately with respect to each tax year. Thus, a self-employed individual who already qualified for the credit in 2020 is eligible for an additional credit in 2021, based upon the days during the period beginning on April 1, 2021, and ending on September 30, 2021.

Calculation of qualified sick leave equivalent credit. The 2021 qualified sick leave equivalent credit equals the number of days the individual is unable to perform services as a self-employed individual (limited to 10 days) due to one of the same reasons listed under the employee paid sick leave rules, multiplied by the lesser of:

- \$200 [\$511 in the case of reasons (1), (2), or (3) under the employee paid sick leave rules], or
- 67% [100% in the case of reasons (1), (2), or (3) under the employee paid sick leave rules] of the average daily self-employment income of the individual for the tax year.

Calculation of qualified family leave equivalent credit. The 2021 qualified family leave equivalent credit equals the number of days the individual is unable to perform services as a self-employed individual (limited to 60 days) due to one of the same reasons listed under the employee paid family leave rules, multiplied by the lesser of:

- 67% of the average daily self-employment income of the individual for the tax year, or
- \$200.

Any day taken into account in determining the qualified sick leave equivalent amount is not taken into account in determining the qualified family leave equivalent amount.

Author's Comment

Similar to the new rules for paid sick leave and paid family leave for employees, once a self-employed individual uses up the 10 day limit for the sick leave credit, an additional 60 days may be used for the family leave credit.

Average daily self-employment income. Average daily self-employment income for both credits means 2021 net earnings from self-employment divided by 260.

Election to use prior year net income. A self-employed individual may elect to use 2020 net earnings instead of 2021 for purposes of calculating the average daily self-employment income.

Employees. Both credits are further reduced by any amount the self-employed individual received as an employee of an employer that qualified for the paid sick leave or paid family leave payroll tax credits.

Elect out. A self-employed individual may elect not to take any day into account for purposes of the credits.

Refundable. Both credits are refundable credits.

Documentation. Self-employed individuals must maintain documentation that establishes that the individual qualifies for the credit.

Employee Retention Credit

- IRC §3134

The original Employee Retention Credit under the CARES Act applied to wages paid after March 12, 2020 and before January 1, 2021. The Consolidated Appropriations Act, 2021 extended the provision and modified the rules for wages paid after December 31, 2020 and before July 1, 2021. The American Rescue Plan Act of 2021 extends the provision to wages paid after June 30, 2021 and before January 1, 2022, and generally follows the same rules that were modified under the Consolidated Appropriations Act, 2021, with a few additional modifications.

Credit rate. The credit equals 70% of qualified wages paid during the calendar quarter, limited to \$10,000 of qualified wages per employee per calendar quarter (\$7,000 credit limit per employee per quarter). If the employer is a recovery startup business, the total credit allowed after applying the above limits for any calendar quarter is limited to \$50,000.

Payroll taxes. The credit is a payroll tax credit, limited by applicable employment taxes during the quarter. However, if the credit exceeds the payroll tax liability during the quarter, the excess is treated as an overpayment that is refundable. The IRS is expected to issue guidance for employers to receive the credit in advance (prior to filing the payroll

tax return). Employers may also reduce their otherwise required payroll tax deposits in anticipation of the credit. Any advance or reduction in deposits is then reconciled on the payroll tax return. The failure to deposit penalties do not apply if such failure was due to the reasonable anticipation of the credit.

Eligible employer. An employer is eligible for the credit if:

- 1) The operation of the trade or business is fully or partially suspended during the calendar quarter due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19,
- 2) The gross receipts of the employer for the calendar quarter are less than 80% of the gross receipts for the same calendar quarter in calendar year 2019, or
- 3) The employer is a recovery startup business.

If the employer was not in existence as of the beginning of the same calendar quarter in 2019, the same calendar quarter in calendar year 2020 is used instead of 2019.

Alternative quarter election. An employer can elect to use the immediately preceding calendar quarter for the 80% of gross receipts test and compare that to the same calendar quarter in calendar year 2019 to determine eligibility.

Tax-exempt organizations. Tax-exempt organizations under IRC section 501(c) also qualify for the credit, using gross receipts within the meaning of IRC section 6033 to determine eligibility.

Qualified wages. If the average number of full-time employees during 2019 was greater than 500, qualified wages are those paid by an employer described in (1) or (2) above under “eligible employer” to an employee who is not providing any services. If the average number of full-time employees during 2019 was not greater than 500, qualified wages are those paid by an employer described in (1) above to an employee during any period described in (1) above, or wages paid by an employer described in (2) above to an employee during such quarter.

Author’s Comment

In other words, for more than 500 employees, the credit applies to wages paid to employees who do not work. If 500 or less employees, the credit applies to wages paid to all employees, including those who are still able to work during the applicable calendar quarter.

If the employer was not in existence in tax year 2019, then 2020 is substituted each place 2019 appears above.

If the employer is severely financially distressed, qualified wages means wages paid by such employer without regard to whether the employee was able to work or not, meaning the more than 500 employee rule above does not apply. A severely financially distressed employer is one with gross receipts during the calendar quarter that are less than 10% of the gross receipts for the same calendar quarter in calendar year 2019.

Recovery startup business. A recovery startup business is one that began carrying on a trade or business after February 15, 2020 and has average annual gross receipts of \$1 million or less during the period the business is in existence.

Author's Comment

A recovery startup business is defined in the new law as an employer that does not meet the suspension of operations test or the 80% of gross receipts test. Thus, the new law allows any business that first began operations after February 15, 2020 with less than \$1 million annual gross receipts to claim the Employee Retention Credit for wages paid during the applicable calendar quarters, assuming other applicable rules are met.

Other credits. The Employee Retention Credit does not apply to wages taken into account for the following credits:

- Paid Sick Leave Credit,
- Paid Family Leave Credit,
- Work Opportunity Credit,
- Employer Credit for Paid Family and Medical Leave,
- Credit for Increasing Research Activities,
- Indian Employment Credit,
- Employer Wage Credit for employees who are active duty members of the uniformed services, and
- The Empowerment Zone Employment Credit.

Election to not take certain wages into account. An employer can elect to not take qualified wages into account for purposes of the Employee Retention Credit. This allows the employer to take advantage of a better provision, such as the 100% refundable credit for paid sick leave or paid family leave.

Coordination with other programs. Wages taken into account for purposes of the PPP loan forgiveness provisions, the Economic Aid to Hard-Hit Small Businesses, and the Restaurant Revitalization Grant are not qualified wages for the Employee Retention Credit. However, if a PPP loan is eventually not forgiven, the wages may qualify for the credit.

Health plan expenses. An allocable amount of employer paid group health plan expenses are treated as wages for purposes of the Employee Retention Credit but only if such amounts are excluded from an employee's taxable wages under IRC section 106(a).

Statute of limitations. The statute of limitations is extended to five years (instead of three years) for purposes of the IRS challenging a credit claim. (IRC §6501)

COBRA Coverage Assistance

Employees may qualify for continued health benefits through COBRA for a period of time after leaving employment. The employee must pay the cost of coverage. However, because the coverage is provided through an employer's group health plan, it is generally cheaper than buying individual coverage.

Because of the financial hardships of employees who have lost their job due to COVID-19, the new law provides funding to help pay premiums for COBRA continuation coverage. Employers may be reimbursed for unreceived premiums in the form of a refundable payroll tax credit. Similar rules under the Paid Sick Leave Credit, the Paid Family Leave Credit, and the Employee Retention Credit for reimbursing employer costs through payroll tax credits apply to COBRA coverage assistance.

Paycheck Protection Program (PPP)

The new law appropriates additional funds for the Paycheck Protection Program, and makes some minor modifications.

Businesses assigned a North American Industry Classification System (NAICS) code of 519130 that are internet-only news publishers or internet-only periodical publishers that previously were not eligible for a PPP loan are now eligible if:

- a) The business employs not more than 500 employees, or the size standard established by the Administrator for that NAICS code, per physical location of the business, and
- b) The business makes a good faith certification that proceeds of the loan will be used to support expenses at the component of the business that supports local or regional news.

The new law also modifies the eligibility requirements of certain nonprofit entities.

SBA Loans and Grants

The Consolidated Appropriations Act, 2021, included provisions that excluded EIDL grants, entertainment venue grants, educational grants, and other federal grants from gross income.

The American Rescue Plan Act of 2021 also includes provisions that exclude the following Small Business Administration (SBA) grants from gross income.

- Targeted EIDL Advances under section 331 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Consolidated Appropriations Act, 2021), and
- Restaurant Revitalization Grants under section 5003 of the American Rescue Plan Act of 2021,

The new law also states that no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income for any of these grants.

Restaurant Revitalization Grants. The new law appropriates \$28.6 billion for the SBA to issue Restaurant Revitalization Grants to restaurants, food stands, food trucks, food carts, caterers, saloons, inns, taverns, bars, lounges, brewpubs, tasting rooms, taprooms, licensed facilities or premises of beverage alcohol producers where the public may taste, sample, or purchase products, and other similar places of business in which the public or patrons assemble for the primary purpose of being served food or drink. Tribally-owned businesses and restaurants located in airport terminals also qualify for the grants.

Entities that do not qualify for the grants include:

- A state or local government-operated business,
- As of March 13, 2020, the entity owned or operated more than 20 locations, regardless of whether those locations do business under the same or multiple names,
- An entity that has a pending application for or has received a grant under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, or
- A publicly-traded company.

Entities applying for grants must certify that the uncertainty of current economic conditions makes necessary the grant request to support the ongoing operations of the eligible entity and that the entity has not applied for or received a grant under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act.

The maximum grant amount that can be issued to an entity is \$5 million per physical location, limited to \$10 million for all locations. Grant amounts are determined based on estimated pandemic-related revenue losses. The funds must be used for eligible expenses, such as payroll, mortgage payments, rent, utilities, maintenance, supplies, food and beverages, supplier costs, operational expenses, paid sick leave, and any other expenses the SBA determines to be essential. Funds not used for qualified expenses must be paid back, including if the entity ceases operations before the last day of a covered period.

Author's Comment

SBA grants are not loans. They do not have to be paid back if the recipient uses the grant for its intended purpose. Small business restaurants are basically being reimbursed tax free for their losses due to COVID-19, assuming the restaurant applies for and receives a grant before the money runs out.

Targeted EIDL Advance. The new law appropriates an additional \$15 billion for fiscal year 2021 for the Economic Injury Disaster Loan (EIDL) program administered by the SBA. Although these are considered SBA loans, they are eligible for debt forgiveness (tax-free) when the businesses uses the funds for their intended purpose.

Shuttered Venue Operators. The new law appropriates an additional \$1.25 billion for fiscal year 2021 for the Shuttered Venue Operators provision that was included in the Consolidated Appropriations Act, 2021.

Limitation on Excess Business Losses of Non-Corporate Taxpayers

- IRC §461(l)

Effective for tax years beginning after December 31, 2017 and before January 1, 2026, the Tax Cuts and Jobs Act (TCJA) imposed a limitation on deducting non-corporate business losses in excess of \$250,000 (\$500,000 MFJ) (adjusted annually for inflation). Any excess loss not allowed is carried forward and treated as part of the taxpayer's net operating loss (NOL) for the year, subject to the NOL rules and carryover limitations. The CARES Act temporarily suspended the limitation for tax years 2018 through 2020. The suspension has not been extended. Thus, the limitation on excess business losses applies for 2021.

The American Rescue Plan Act of 2021 extends the limitation on excess business losses to tax years beginning before January 1, 2027.

Author's Comment

For most taxpayers, incurring a business loss of \$250,000 or more will result in an NOL, even without the limitation on excess business losses. The practical application of the law is to prevent high income taxpayers with other sources of income to offset that income in the current year with business losses that exceed \$250,000.

Pensions

- IRC §432
- IRC §430(c)

Multi-employer plans. The new law provides provisions for multi-employer plans that are in endangered status or critical status to meet their funding obligations. The provisions are generally temporary that affect 2020 through 2022 plan years. The law also provides financial assistance under the Employee Retirement Income Security Act of 1974 (ERISA) to multiemployer pension plans to help pay for necessary administrative and operating expenses of the corporation relating to the assistance. The financial assistance does not have to be re-paid, assuming the assistance is used for its intended purpose.

Single employer plans. The new law also amends the rules under IRC section 430(c) for single employer plans. In general, defined benefit plans must meet minimum funding standards. If the value of plan assets are less than the funding target of the plan, additional funding is required to meet the shortfall. The shortfall funding is amortized over a 7-year period. The new law increases this shortfall amortization installment to a 15-year period. The new law also modifies the stabilization percentage table under IRC section 430(h)(2)(C)(iv).

Excessive Employee Remuneration

- IRC §162(m)

In the case of a publicly held corporation, no deduction is allowed for covered employee remuneration in excess of \$1 million during the tax year. A covered employee means any employee of the taxpayer if:

- 1) Such employee is the principal executive officer or principal financial officer of the taxpayer,
- 2) The total compensation of such employee is required to be reported to shareholders under the Securities Exchange Act by reasons of being among the three highest compensated officers for the tax year, or
- 3) Was a covered employee described in (1) or (2) above for any preceding tax year beginning after December 31, 2016.

The new law adds a fourth category of covered employee for tax years beginning after December 31, 2026. A covered employee includes an employee who is among the five highest compensated employees for the tax year, other than any individual described in (1) or (2) above.

Other Provisions

U.S. possessions. Special rules apply to each possession of the United States with a mirror tax code system to compensate them for loss of their tax revenue due to certain provisions under the new law, or to provide equal benefits to those possessions who do not have a mirror tax code system.

Emergency rental assistance. The new law appropriates \$21.55 billion to remain available until September 30, 2027 for assisting low income renters. The funds are to be used to provide financial assistance to eligible households to help pay their rent, rental arrears, utilities and home energy costs, utilities and home energy costs arrears, and other expenses related to housing. Financial assistance for an eligible household is limited to 18 months. Eligible households are households with 1 or more individuals who are obligated to pay rent:

- 1) Where one or more individuals in the household qualified for unemployment benefits, or experienced a reduction in household income, or incurred significant costs, or experienced other financial hardship during or due, directly or indirectly, to COVID-19,
- 2) Who can demonstrate a risk of experiencing homelessness or housing instability, and
- 3) Such household is a low-income family as defined under the United States Housing Act of 1937.

Author's Comment

The COVID-19 pandemic was declared a national emergency on March 13, 2020. Any disaster relief provided by the federal, state, or local governments to help individuals pay reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster are excludable from taxable income under IRC section 139.

Emergency housing vouchers. The new law appropriates \$5 billion to remain available until September 30, 2030 for emergency rental assistance vouchers as tenant-based rental assistance under the United States Housing Act of 1937. Individuals or families who qualify for this assistance are those who are:

- 1) Homeless,
- 2) At risk of homelessness,
- 3) Fleeing, or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking, or
- 4) Recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability.

Emergency assistance for rural housing. The new law appropriates \$100 million to remain available until September 30, 2022 to provide grants under the Housing Act of 1949. The funds are to be used for temporary assistance for households who have experienced income loss but are not currently receiving federal rental assistance.

Homelessness assistance and supportive services program. The new law appropriates \$5 billion for tenant-based rental assistance and affordable housing for families not already receiving other supportive services. Qualifying individuals or families are those who are:

- 1) Homeless,
- 2) At risk of homelessness,
- 3) Fleeing, or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking,
- 4) In other populations where providing assistance would prevent the family's homelessness or would sever those with the greatest risk of housing instability, or
- 5) Veterans and families that include a veteran family member who meets one of the above criteria.

Homeowner assistance fund. The new law appropriates \$9.961 billion to remain available until September 30, 2025 to help prevent homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship. Qualified expenses include:

- 1) Mortgage payment assistance,
- 2) Financial assistance to allow a homeowner to reinstate a mortgage or to pay other housing related costs related to a period of forbearance, delinquency, or default,
- 3) Principal reduction,
- 4) Facilitating interest rate reductions,
- 5) Payment assistance for utilities, internet service, homeowner's insurance, homeowner's association dues, and
- 6) Any other assistance to promote housing stability for homeowners.

Incentives to support business enterprises owned and controlled by socially and economically disadvantaged individuals. The new law appropriates funding for states to implement programs that support businesses owned by socially and economically disadvantaged individuals. A portion of the funds must be used by the states to support very small businesses with fewer than 10 employees, including independent contractors and sole proprietors. Eligible businesses are those where at least 51% is owned by socially and economically disadvantaged individuals (as defined under section 8 of the Small Business Act).

Emergency Federal Employee Leave Fund. Government employers are not eligible for the *Paid Sick Leave and Paid Family Leave Payroll Tax Credits* (covered earlier). The new law provides funding to reimburse federal agencies for the paid leave of their employees for any of the same reasons that qualify for the paid sick leave and paid family leave credits of non-government and non-profit employers. Similar funding is provided for the emergency FAA employee leave fund, the emergency TSA employee leave fund, and the emergency department of veterans affairs employee leave fund to provide their employees with paid leave for the same reasons.

The new law also expends federal employee benefits to include disaster-related funeral expense assistance, workers' compensation benefits for federal employees diagnosed with COVID-19, and other disaster-related assistance.

Aviation jobs. Additional funding is also provided for employers engaged in aviation manufacturing activities and services, maintenance, repair, and overhaul activities and services. Funding is to be used, in part, for payroll support programs for the continuation

of employee wages, salaries, and benefits of employees, and to facilitate the retention, rehire, or recall of employees who have been furloughed.

Airlines that provide air transportation services are eligible for similar types of funding.

Other programs: The new law also provides federal funding for:

- Food supply chain and agriculture pandemic response.
- Emergency rural development grants for rural health care.
- Farm loan assistance for socially disadvantaged farmers and ranchers.
- USDA assistance and support for socially disadvantaged farmers ranchers, forest land owners and operators, and groups.
- Supplemental nutrition assistance program.
- Commodity supplemental food program.
- Improvements to WIC benefits.
- Meals and supplements reimbursements for individuals who have not attained the age of 25.
- Pandemic EBT program.
- Elementary and Secondary School Emergency Relief Fund.
- Emergency assistance to non-public schools.
- Higher Education Emergency Relief Fund.
- National Endowment for the Arts.
- National Endowment for the Humanities.
- Institute of Museum and Library Services.
- Funding for Department of Labor worker protection activities.
- Child Care and Development Block Grant Program.
- Child Care Stabilization.
- Head Start.
- Programs for survivors.
- Child abuse prevention and treatment.
- Corporation for National and Community Service and the National Service Trust.
- Funding for COVID-19 vaccine activities at the Centers for Disease Control and Prevention.
- Funding for vaccine confidence activities.
- Funding for supply chain for COVID-19 vaccines, therapeutics, and medical supplies.
- Funding for COVID-19 vaccine, therapeutic, and device activities at the Food and Drug Administration.
- Reduced cost-sharing.
- Funding for COVID-19 testing, contact tracing, and mitigation activities.
- Funding for SARS-CoV-2 genomic sequencing and surveillance.
- Funding for global health.
- Funding for data modernization and forecasting center.
- Funding for public health workforce.
- Funding for Medical Reserve Corps.
- Funding for community health centers and community care.
- Funding for National Health Service Corps.
- Funding for Nurse Corps.

- Funding for teaching health centers that operate graduate medical education.
- Funding for family planning.
- Funding for block grants for community mental health services.
- Funding for block grants for prevention and treatment of substance abuse.
- Funding for mental health and substance use disorder training for health care professionals, paraprofessionals, and public safety officers.
- Funding for education and awareness campaign encouraging healthy work conditions and use of mental health and substance use disorder services by health care professionals.
- Funding for grants for health care providers to promote mental health among their health professional workforce.
- Funding for community-based funding for local substance use disorder services.
- Funding for community-based funding for local behavioral health needs.
- Funding for the National Child Traumatic Stress Network.
- Funding for Project AWARE.
- Funding for youth suicide prevention.
- Funding for behavioral health workforce education and training.
- Funding for pediatric mental health care access.
- Funding for expansion grants for certified community behavioral health clinics.
- Funding for exchange grant programs.
- Funding for assistance to Rail Workers.
- Funding for water assistance program.
- Assistance for Older Americans, Grand Families, and Kinship Families.
- COVID-19 emergency medical supplies enhancement.
- Federal Transit Administration grants.
- Funding for pollution and disparate impacts of the COVID-19 pandemic.
- Grants to the National Railroad Passenger Corporation.
- Relief for airports.
- Funding for consumer product safety fund to protect consumers from potentially dangerous products related to COVID-19.
- Funding for E-Rate support for emergency educational connections and devices.
- National Institute of Standards and Technology.
- National Science Foundation.
- Support for the Corporation for Public Broadcasting.
- Funding for various Veterans' Affairs programs.
- Crisis Support for Unemployed Workers.
- Funding for fraud prevention, equitable access, and timely payment to eligible workers.
- Emergency assistance to families through home visiting programs.
- Emergency Assistance to Children and Families.
- Additional funding for aging and disability services programs.
- Support to Skilled Nursing Facilities in Response to COVID-19.
- Assistance for child care workers.
- Numerous Medicaid funding related to COVID-19.
- COVID-19 coverage under the CHIP program.
- Numerous Medicare provisions related to COVID-19.
- Foreign aid.
- Funding for various Indian Affairs.