

**DIVISION N—ADDITIONAL CORONAVIRUS RESPONSE AND RELIEF**

**TITLE II—ASSISTANCE TO INDIVIDUALS, FAMILIES, AND BUSINESSES**

**Subtitle B—COVID-related Tax Relief Act of 2020**

**Sec. 272. Additional 2020 recovery rebates for individuals.**

**Sec. 273. Amendments to recovery rebates under the CARES Act.**

- refundable tax credit of \$600 per eligible family member (\$1,200 for married filing jointly), in addition to \$600 per qualifying child.
- phases out starting at \$75,000 of modified adjusted gross income (\$112,500 for heads of household and \$150,000 for married filing jointly) at a rate of \$5 per \$100 of additional income.
- expands eligibility (cf. CARES Act) for married filing jointly taxpayers where only one spouse has a SSN: \$600 credit + \$600 per child.
- protects advance payments from:
  - offset for past due federal or state debts
  - bank garnishment or levy by private creditors or debt collectors

**Sec. 274. Extension of certain deferred payroll taxes.**

- August 8, 2020: Presidential memo allowed employers to defer withholding employees' share of social security taxes or the railroad retirement tax equivalent from Sept. 1, 2020-December 31, 2020, and required employers to increase withholding and pay the deferred amounts ratably from wages and compensation paid between January 1, 2021 and April 31, 2021.
- May 1, 2021, penalties and interest on deferred unpaid tax liability will begin to accrue. The provision extends the repayment period through December 31, 2021. Penalties and interest on deferred unpaid tax liability will not begin to accrue until January 1, 2022.

**Sec. 275. Regulations or guidance clarifying application of educator expense tax deduction.**

- Costs of Personal Protective Equipment are treated as eligible expenses for the \$250 the educator expense deduction. Requires Treasury to issue guidance or regulations retroactive to March 12, 2020.

**Sec. 276. Clarification of tax treatment of forgiveness of covered loans.**

- As in CARES Act, a taxpayer's gross income does not include any amount of a forgiven Paycheck Protection Program (PPP) loan.
- Allows deductions for otherwise deductible expenses paid with the proceeds of a PPP loan that is forgiven,
- Tax basis and other attributes of PPP loan borrower's assets will not be reduced as a result of the loan forgiveness.
- Effective date: enactment of the CARES Act.

- Allows similar treatment for Second Draw PPP loans, effective for tax years ending after the date of enactment.

**Sec. 277. Emergency financial aid grants.**

- Certain CARES Act emergency financial aid grants are excluded from the gross income of college and university students.
- Students are held harmless for purposes of determining eligibility for the American Opportunity and Lifetime Learning tax credits.
- Effective date: enactment of CARES Act.

**Sec. 278. Clarification of tax treatment of certain loan forgiveness and other business financial assistance under the CARES Act.**

- Gross income does not include forgiveness of certain loans, emergency EIDL grants, and certain loan repayment assistance, each as provided by CARES Act.
- Deductions are allowed for otherwise deductible expenses paid with the amounts not included in income, and tax basis and other attributes will not be reduced as a result of those amounts being excluded from gross income.
- Effective for tax years ending after date of enactment of CARES Act.
- Similar treatment provided for Targeted EIDL advances and Grants for Shuttered Venue Operators, effective for tax years ending after date of enactment.

**Sec. 279. Authority to waive certain information reporting requirements.**

- Authorizes Treasury to waive information filing requirements for any amount excluded from income by reason of the exclusion of covered loan amount forgiveness from taxable income, the exclusion of emergency financial aid grants from taxable income or the exclusion of certain loan forgiveness and other business financial assistance under the CARES act from income.

**Sec. 280. Application of special rules to money purchase pension plans.**

- Clarifies that money purchase plans are included in the retirement plans qualifying for CARES Act temporary retirement plan rules, which allow individuals to make penalty-free withdrawals from certain retirement plans for coronavirus-related expenses, permits taxpayers to pay the associated tax over three years, allows taxpayers to recontribute withdrawn funds, and increases the allowed limits on retirement plan loans.
- Effective retroactively as if included in Section 2202 of the CARES Act.

**Sec. 281. Election to waive application of certain modifications to farming losses.**

- Allows farmers who elected a 2-year net operating loss carryback prior to CARES Act to elect to retain that 2-year carryback rather than claim the 5-year carryback provided in the CARES Act.
- Allows farmers who previously waived an election to carry back a net operating loss to revoke the waiver.
- Effective retroactively as if included in Section 2303 of the CARES Act

**Sec. 282. Oversight and audit reporting.**

- Technical change.
- CARES Act authorizes the Comptroller General to conduct monitoring and oversight of federal response efforts related to the Coronavirus 2019 pandemic and its general effects. Required reporting to congress committees omitted Senate Finance and House Ways and Means.

**Sec. 283. Disclosures to identify tax receivables not eligible for collection pursuant to qualified tax collection contracts.**

- Technical change
- Sec. 1205 of Taxpayer First Act (P.L. 116-25) excludes supplemental social security (SSI) and social security disability insurance (SSDI) beneficiaries from the IRS private debt collection program beginning January 1, 2021.
- IRS and SSA need statutory authority to share information to determine which taxpayers are SSI or SSDI beneficiaries and eligible for exclusion from the IRS program. Sec. 283 provides authority to share that information.

**Sec. 284. Modification of certain protections for taxpayer return information.**

- Unwinds and amends the changes made by the CARES Act and restores taxpayer confidentiality protections to the tax return information shared by IRS while allowing certain uses as requested by the committees with education jurisdiction.
- Section 3516 of the CARES Act repealed the 6103 changes in the FUTURE Act and stripped all the taxpayer confidentiality protections applicable to the tax return information shared by IRS with the Department of Education (and the subsequent redisclosure to colleges, universities, and scholarship funds).

**Sec. 285. 2020 election to terminate transfer period for qualified transfers from pension plan for covering future retiree costs.**

- I.R.C. § 420 allows “qualified future transfers” by which up to 10 years of retiree health and life costs may be transferred from a company’s pension plan to a retiree health benefits account and/or a retiree life insurance account within the pension plan. Transfers must meet certain requirements, including that the plan must be 120% funded at the outset, 120% funded throughout the transfer period, and all unused amounts must be transferred back. Additionally, the plan is subject to a maintenance of effort requirement.
  - Applying the current-law requirements during the pandemic and the related market volatility has caused plans that have been historically far over 120% funded to fall below 120%. They have faced a requirement to immediately restore these large market losses in order to return to being 120% funded.
- Sec. 285 allows employers to make a one-time election during 2020 and 2021 to end any existing transfer period for any taxable year beginning after the date of election, provided the maintenance of effort and other conditions are met.

**Sec. 286. Extension of credits for paid sick and family leave.**

- Extends refundable payroll tax credits for paid sick and family leave enacted in the Families First Coronavirus Response Act, through the end of March 2021.
- Modifies the tax credits so they apply as if corresponding employer mandates were extended through the end of March 2021.
- Effective as if included in Families First Act.

**Sec. 287. Election to use prior year net earnings from self-employment in determining average daily self-employment income for purposes of credits for paid sick and family leave.**

- Allows individuals to elect to use their average daily self-employment income from 2019 rather than 2020 to compute the credit.
- Effective as if included in Families First Act.

**Sec. 288. Certain technical improvements to credits for paid sick and family leave.**

- Technical changes conforming definitions of qualified wages within the paid sick leave, paid family and medical leave, and the exclusion of such leave from employer OASDI tax.
- Effective as if included in Families First Act.

**DIVISION EE—TAXPAYER CERTAINTY AND DISASTER TAX RELIEF ACT OF 2020**

<b>TITLE I—EXTENSION OF CERTAIN EXPIRING PROVISIONS</b>
Subtitle A—Certain Provisions Made Permanent

**Sec. 101. Reduction in medical expense deduction floor.**

- AGI floor for deduction eligibility is set permanently at 7.5%

**Sec. 102. Energy efficient commercial buildings deduction.**

- Modifications to inflation adjustments and energy efficiency standards

**Sec. 103. Benefits provided to volunteer firefighters and emergency medical responders.**

- Certain benefits for volunteer firefighters and emergency medical responders are excluded from gross income.

**Sec. 104. Transition from deduction for qualified tuition and related expenses to increased income limitation on lifetime learning credit.**

- Repeals deduction for college tuition and expenses and increases annual limit and phased-out income limit for lifetime learning credit.

**Sec. 105. Railroad track maintenance credit.**

- Railroad maintenance tax credit is made permanent.

**Secs. 106 - 110. Relating to beer, wine, and distilled spirits**

Sec. 106. Certain provisions related to beer, wine, and distilled spirits.

Sec. 107. Refunds in lieu of reduced rates for certain craft beverages produced outside the United States.

Sec. 108. Reduced rates not allowed for smuggled or illegally produced beer, wine, and spirits.

Sec. 109. Minimum processing requirements for reduced distilled spirits rates.

Sec. 110. Modification of single taxpayer rules.

- Certain provisions made permanent such as reduced federal excise tax rates on beer and distilled spirits; lower tax rates for certain meads and low alcohol wines.

Subtitle B—Certain Provisions Extended Through 2025

**Sec. 111. Look-thru rule for related controlled foreign corporations.**

- I.R.C. § 954(c)(6)(C) (look-thru rule for related controlled foreign corporations) is extended from Jan. 1, 2021 until Jan. 1, 2026. This requires dividends, interest, rents, and royalties received or accrued from a controlled foreign corporation which is a related person not to be treated as foreign personal holding company income.

**Sec. 112. New markets tax credit.**

- Calendar year limit for 2020 is extended through 2025.
- Carryover of unused new markets tax credit is extended from 2025 through 2030.

**Sec. 113. Work opportunity credit.**

- Work Opportunity Credit is 40% of qualified first-year wages. First-year wages may be taken into account for a further 5 years until Dec. 31, 2025

**Sec. 114. Exclusion from gross income of discharge of qualified principal residence indebtedness.**

- Extends the time by which a discharge of qualified principal residence indebtedness can be excluded from gross income, from January 1, 2021 to January 1, 2026. Reduces maximum amount of allowable acquisition indebtedness.

**Sec. 115. 7-year recovery period for motorsports entertainment complexes.**

**Sec. 116. Expensing rules for certain productions.**

- 5-year extension of expensing rules relating to qualified film and television and live theatrical productions until December 31, 2025

**Sec. 117. Oil spill liability trust fund rate.**

- 5-year extension of Oil Spill Liability Trust Fund financing rate (\$0.9 tax per barrel of oil) until December 31, 2025.

**Sec. 118. Empowerment zone tax incentives.**

- 5-year extension of empowerment zone tax credit for certain employers that operate in an empowerment zone until December 31, 2025.
- An employer may claim a 20% credit on up to the first \$15,000 of wages paid to certain employees, if substantially all of the services are provided in the employer's trade or business within an empowerment zone, and the employee's principle residence while providing the services must be within the empowerment zone.

**Sec. 119. Employer credit for paid family and medical leave.**

- 5-year extension of existing employer credit for paid family and medical leave until December 31, 2025.

**Sec. 120. Exclusion for certain employer payments of student loans.**

- 5-year extension of CARES Act exclusion from gross income of employee of employer payments of student loans, until December 31, 2025.

**Sec. 121. Extension of carbon oxide sequestration credit.**

- 2-year extension of date by which construction of a qualified carbon capture facility must begin, from January 1, 2024 to January 1, 2026.

Subtitle C—Extension of Certain Other Provisions

**Sec. 131. Credit for electricity produced from certain renewable resources.**

- 1-year extensions of dates by which construction of a certain qualified renewable energy facilities must begin and for election to treat qualified facilities as energy property. Changed from January 1, 2021 to January 1, 2022.

**Sec. 132. Extension and phaseout of energy credit.**

- Multiple extensions for phase-out of energy credit., Maintains the 26% solar investment tax credit on residential and commercial properties through 2023 and phases out the credit amount to 22% in 2024 and 10% in 2025.

**Sec. 133. Treatment of mortgage insurance premiums as qualified residence interest.**

- 1-year extension of treatment of mortgage insurance premiums as qualified residence interest from December 31, 2020 to December 31, 2021.

1-year extensions in the following credits and other provisions:

- Sec. 134. Credit for health insurance costs of eligible individuals.
- Sec. 135. Indian employment credit.
- Sec. 136. Mine rescue team training credit.
- Sec. 137. Classification of certain race horses as 3-year property.
- Sec. 138. Accelerated depreciation for business property on Indian reservations.
- Sec. 139. American Samoa economic development credit.
- Sec. 140. Second generation biofuel producer credit.
- Sec. 141. Nonbusiness energy property.
- Sec. 142. Qualified fuel cell motor vehicles.
- Sec. 143. Alternative fuel refueling property credit.
- Sec. 144. 2-wheeled plug-in electric vehicle credit.
- Sec. 145. Production credit for Indian coal facilities.
- Sec. 146. Energy efficient homes credit.
- Sec. 147. Extension of excise tax credits relating to alternative fuels.
- Sec. 148. Extension of residential energy-efficient property credit and inclusion of biomass fuel property expenditures.
- Sec. 149. Black lung disability trust fund excise tax.

## TITLE II—OTHER PROVISIONS

### **Sec. 201. Minimum low-income housing tax credit rate.**

- Creates a new minimum low-income housing credit rate. This credit is the federal government's primary policy tool for encouraging the development and rehabilitation of affordable rental housing. The program awards developers federal tax credits to offset construction costs in exchange for agreeing to reserve a certain fraction of units that are rent-restricted and for lower-income households.

### **Sec. 202. Depreciation of certain residential rental property over 30-year period.**

### **Sec. 203. Waste energy recovery property eligible for energy credit.**

- Creates new investment tax credit for waste energy recovery property for which construction begins on or before January 1, 2024.
- A 26% credit on investments is available if property construction begins in 2021 or 2022. A 22% credit is available if construction begins in 2023.
- Waste energy recovery property is defined as property that generates electricity solely from heat (such as exhaust heat) from buildings or equipment the primary purpose of which is not the generation of electricity. Eligible property cannot exceed a maximum capacity of 50 MW.

### **Sec. 204. Extension of energy credit for offshore wind facilities.**

- Construction on an offshore wind farm that begins after 2016 and before 2026 is eligible to claim the credit at the full statutory credit rate of 30% (instead of the phased-out amounts applied to other energy property).

**Sec. 205. Minimum rate of interest for certain determinations related to life insurance contracts.**

**Sec. 206. Clarifications and technical improvements to CARES Act employee retention credit.**

**Sec. 207. Extension and modification of employee retention and rehiring tax credit.**

- Extension from January 1, 2021 until July 1, 2021, expanded eligibility requirements.

**Sec. 208. Minimum age for distributions during working retirement.**

**Sec. 209. Temporary rule preventing partial plan termination.**

**Sec. 210. Temporary allowance of full deduction for business meals.**

- Allows the full cost of meals to be taken as a deductible business expense for 2 years, 2021 and 2022. Previously, only half the cost is available as a business deduction.

**Sec. 211. Temporary special rule for determination of earned income.**

- If an individual's earned income beginning in 2020 is less than their prior tax year's earned income, then the individual may substitute the prior year's earned income in calculating the earned income tax credit.

**Sec. 212. Certain charitable contributions deductible by non-itemizers.**

**Sec. 213. Modification of limitations on charitable contributions.**

- Creates a charitable contribution deduction for tax year 2021 up to \$300 (\$600 if filing jointly) for individuals who do not itemize their deductions.
- CARES Act created a special deduction for tax year 2020 only, and limited the amount to \$300 for all taxpayers. In 2020, the deduction is characterized as an "above-the-line" deduction taken in calculating AGI. In 2021 it will be allowed in addition to the standard deduction in calculating taxable income.
- Increases the underpayment penalty for an overstatement of qualified charitable contributions.
- No limit based on AGI; individuals may claim a charitable contribution deduction of up to 100% of AGI.

**Sec. 214. Temporary special rules for health and dependent care flexible spending arrangements.**

- Provides for rollover of unused amounts from 2020 to 2021 and from 2021 to 2022, temporary extension of grace period to 12 months for unused benefits or the contributions grace period, and temporary allowance for a mid-year prospective change in contribution amounts.



**TITLE III—DISASTER TAX RELIEF**

H.R. 133 provides disaster tax relief for individuals and businesses in presidentially declared disaster areas for major disasters (other than COVID-19) that are declared after December 31, 2019, through February 25, 2021 (60 days after December 27, 2020, the H.R. 133 enactment date). H.R. 133 creates an exception to the 10% early retirement plan withdrawal penalty for qualified disaster relief distributions (not to exceed \$100,000), and eliminates the requirement that personal casualty losses must exceed 10% of AGI.

Sec. 301. Definitions.

Sec. 302. Special disaster-related rules for use of retirement funds.

Sec. 303. Employee retention credit for employers affected by qualified disasters.

Sec. 304. Other disaster-related tax relief provisions.

Sec. 305. Low-income housing tax credit.

Sec. 306. Treatment of certain possessions.