CONSOLIDATED APPROPRIATIONS ACT, 2021 (CAA, 2021)

Business Loan Programs Comparison Chart

The COVID-related Tax Relief Act of 2020 (COVIDTRA) and the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (TCDTR), both part of the Consolidated Appropriations Act, 2021 (CAA, 2021) contains numerous provisions related to businesses and individuals.

Here is a summary of some, not all, of the key components.

Business Provisions

	Prior to CAA 2021	Post CAA 2021
Tax Treatment of Covered Loan Forgiveness	If PPP loan proceeds are used to pay payroll costs, certain employee benefits, mortgage interest, rent, utilities, & interest on other existing debt obligations, the recipient can have the loan forgiven. **The amount forgiven will not be taxable income, but the expenses will also not be deductible.**	Taxpayers whose PPP loans are forgiven are **allowable deductions for expenses** paid with PPP loan proceeds. Tax basis/ other attributes of assets will not be reduced.
Economic Injury Disaster Loans	Applicant can request a $10,000 advance on the loan and loan repayment assistance.	Gross income does not include forgiveness of EIDL loans, emergency EIDL grants, and loan repayment assistance. Similar to PPP, deductions are allowed for expenses paid with loan proceeds and tax basis/other attributes of assets will not be reduced.
Depreciation of Certain Residential Real Estate Property	TCJA allows real property trade or businesses to elect out of the business interest deduction limitations; however, the taxpayer has to use ADS as a depreciation method for property placed in service after December 31, 2017. TCJA also changed the ADS period for residential rental property from 40 years to 30 years for property placed in service after December 31, 2017.	Assigns 30-year ADS depreciation to residential real property even if placed in service before Jan. 1, 2018 if the property was held by an electing real property trade or business and, before Jan. 1, 2018, was not subject to the ADS.
50% Limit on Business Meals	Business meal deduction is generally limited to 50%.	100% deduction is allowed for business meals, including delivery & carryout, for amounts paid or incurred between Jan. 1, 2021, and Dec. 31, 2022.

Individual Provisions

	Prior to CAA 2021	Post CAA 2021
New Recovery Rebate		A refundable tax credit is available in the amount of $600 per eligible family member. The credit phases out starting at AGI of $75,000 for single taxpayers, $112,500 for HOH, and $150,000 for MFJ.
Charitable Contributions for Non-Itemizers	$300 (Single and MFJ) above-the-line deduction for cash to qualified charitable organizations in 2020.	MFJ non-itemizers allowed up to $600 above-the-line deduction for 2021. This prior $300 rule still applies to 2020.
Modification of Limitation on Charitable Contributions	Individuals were limited to an itemized deduction of no more than 60% of their contribution base on charitable contributions, of cash, made to 50% charities.	For 2020 and 2021, the percentage limitation rules for individuals making qualified charitable contributions, in cash, to 50% charities do not apply.
Health and Dependent Care FSA	A cafeteria plan may permit carryover of unused amounts remaining in a health FSA, subject to $550 carryover limit.	Allows employers to extend the grace period for plan years ending in 2020 and 2021 to 12 months after the end of such plan year for unused benefits and contributions to health FSA and dependent care FDS arrangements.

Disaster Relief Provisions

	Prior to CAA 2021	Post CAA 2021
10% Early Withdrawal Penalty	Generally, the penalty applies to withdrawals from an employee retirement plan to an employee made prior to age 59 1/2.	Up to $100,000 per qualified disaster can be withdrawn from retirement accounts without paying the 10% penalty. The distribution will be taxed over a three-year time period unless taxpayer elects to have it taxed in the distribution year. If distribution is from a qualified employer plan like a 401(k), it is not subject to the normal 20% mandatory withholding rules. To qualify, taxpayers must have primarily resided in a qualified disaster area and must have sustained an economic loss from the qualified disaster.
Qualified Plan Loans	In general, a loan from a retirement plan to the plan owner is not a taxable distribution to the extent that the loan does not exceed $50,000.	Qualified retirement plan loan limit increased to $100,000, minus loans outstanding. Loans must have been made between March 27, 2020 and September 23, 2020.
Corporation Charitable Contribution Limitation	Corporate charitable contribution limit to 10% of taxable income.	Corporations are allowed a deduction up to 100% of taxable income for “qualified disaster relief contributions” made after January 1, 2020.

Permanent Provisions	Provisions Extended Through 2021	Provisions Extended Through 2025	Additional Provisions
• Reduction in medical expense deduction floor, from 10% to 7.5% of AGI • Section 179D energy efficient commercial building deduction, with some prospective modifications • Exclusion of qualified benefits for volunteer firefighters and emergency medical responders • Repeal of qualified tuition deduction and increased income limitation for lifetime learning credit • Railroad track maintenance credit, though the credit reduces to 40% for years beginning after 2022 • Reduction of excise taxes and simplified record-keeping requirements for beer, wine, and distilled spirits	• Treatment of mortgage insurance premiums as qualified residence interest • Credit for health insurance costs of eligible individuals • Indian employment credit • Mine rescue team training credit • Classification of certain racehorses as three-year property • Accelerated depreciation for business property on Indian reservations • American Samoa economic development credit • Second generation biofuel producer credit • Nonbusiness energy property • Qualified fuel cell motor vehicles • Alternative fuel refueling property credit • Two-wheeled plug-in electric vehicle credit • Energy efficient homes credit • Extension of excise tax credits relating to alternative fuels • Black lung disability trust fund excise tax • Production credit for Indian coal facilities	• Look-through rule for related controlled foreign corporations • New markets tax credit • Work opportunity tax credit • Exclusion from gross income for a discharge of qualified principal residence indebtedness, though maximum amount excluded is reduced from $2 million to $750,000 • Seven-year recovery period for motorsports entertainment complexes • Expensing provisions for certain qualifying film, television, and theatrical productions • Empowerment zone tax incentives, with some modifications • Employer tax credit for paid family and medical leave • Exclusion for certain employer payments of student loans • Extension of carbon dioxide sequestration credit	• An extension through March 31, 2021, of the paid sick leave and paid family leave credits enacted as part of the Families First Coronavirus Response Act in March 2020, as well as additional modifications to those provisions • Money purchase pension plans included in favorable CARES Act provisions related to retirement plan distributions for COVID-related expenses • A one-time election to terminate the transfer period for qualified transfers from pension plan under Section 420 • Minimum 4% low-income housing tax credit rate