

January 18, 2021

Dear Clients, Friends, & Family:

On December 27, 2020, President Trump signed the Consolidated Appropriations Act 2021 into law. This Act enhances and expands certain sections of the CARES Act, which was passed in March 2020.

During the past two weeks, we have been attending webinars and researching the new provisions that this Act has to offer for both individuals and businesses. We have briefly summarized below key points of the new laws. Be aware that the underlying specifics of each provision will require further discussion as to its applicability to you.

For Individuals:

- **Recovery Rebates (“Stimulus Checks”)**
 - Direct payments have or will be issued to individual taxpayers in the amount of \$600 for those who have met the correct income thresholds. Single filers with Adjusted Gross Income (AGI) of \$75,000, Head of Household filers with AGI of \$112,500, and Married Filing Jointly filers with AGI of \$150,000, will receive the full \$600 (\$1,200 for MFJ).
 - Additional rebates are available for child dependents based on your 2019 tax return.
 - These payments are an advance on a refundable tax credit, “Recovery Rebate Credit,” and are not taxable and will not lower your expected refund.
 - If you had a child in 2020 or meet the AGI limitations, you will be able to claim the additional Recovery Rebate Credit on your 2020 Tax Return for the amounts that you did not receive via direct payments.

For Businesses:

- **2ND Draw of PPP Loans – See Separate Letter**
- **PPP Loan Expenses are Now Deductible**
 - When the original PPP Loan was released, it was stated that the forgiveness portion was not considered taxable income, however, businesses were not able to deduct the expenses paid via loan forgiveness. With the passing of the CAA, businesses can **now deduct** the expenses paid via loan forgiveness.
- **Changes to the Employee Retention Credit (ERC)**
 - The CARES Act provided a refundable federal payroll tax credit to eligible employers equal to 50% of qualified wages paid to employees from March 13, 2020 to December 31, 2020.

- Qualified employers must have had business operations fully or partially suspended due to a governmental order related to COVID-19 or;
- Company saw a decline of 50% of gross receipts comparing a quarter in 2020 to the corresponding quarter in 2019.
- The CAA increased the credit to 70% of qualified wages and limited \$10,000 wages per employee per quarter rather than per year and decreased the decline of gross receipts to 20%.
- PPP Loan borrowers can now use the ERC for wages that were not paid with PPP Loan proceeds.
- The ERC is now available through July 1, 2021 and will need to be claimed on your Form 941.
- **Extension of Paid Sick and Family Leave Tax Credits**
 - Employers can still receive federal payroll tax credits for wages paid to employees who are out with a COVID-19 diagnosis, mandatory quarantine due to COVID-19, or are caring for a person in their household with COVID-19.
 - This has been extended until March 31, 2021.
- **Temporary 100% Deduction of Business Meals**
 - The CAA permits businesses to deduct 100% of business meal expenses during 2021 & 2022. Normally, 50% of meals are tax deductible for business purposes.

Every business and individual has different situations and criteria. We will strive to help you navigate through these difficult times and strategize for your available options.

Please do not hesitate to contact our office regarding any of these new provisions that have been recently released. We hope that you and your family are staying healthy through this difficult time.

Sincerely,
Moscato Certified Public Accountants