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American Rescue Plan Act: The Newest COVID-19 Relief Bill

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March 23, 2021

American Rescue Plan Act *Agenda*

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Part I – Overview

Overview

Latest Round of Aid

- The American Rescue Plan Act of 2021 was signed into law on March 11, 2021. It consist of \$1.9 trillion in economic stimulus aimed to speed up the recovery from the economic and health effects of the COVID-19 pandemic.

General Provisions

American Rescue Plan Act

1. Maintains, and in some instances, expands current tax incentives for businesses, such as:
 - Employee Retention Credits
 - Paid Sick and Family Leave Credits
2. Additional funding for SBA administered programs.
3. Authorizes additional federal aid to state unemployment benefits.

General Provisions

American Rescue Plan Act

4. Authorizes a second round of economic impact payments for qualifying individuals.
5. Expands on family tax credits.
6. Funds distressed multi-employer and single-employer pension plans.
7. Provides COBRA subsidies.
8. Important to talk to your legal, accounting and tax professionals to assess your situation.

Part II – Small Business Related Benefits

Employee Retention Credits

Changes to Employee Retention Credits

1. Extends the ERTC through 12/31/21.
2. Structures the ERTC as a refundable payroll credit against the employer's share of the Hospital Insurance tax commencing after 6/30/21.
3. Severely distressed businesses (as defined) will be permitted to count wages paid to all employees as qualifying wages, instead of only those wages paid to employees that are not providing services, in order to determine their credit.

Employee Retention Credits

Changes to Employee Retention Credits

4. The credit will be afforded to certain start-up businesses with some limitations.
5. Employers that were not in existence in 2019 will be permitted to use the average number of 2020 employees for purposes of determining the credit wage base.
6. New businesses established after Feb. 15, 2020, with annual receipts up to \$1M will now be eligible for the ERTC (capped at \$50,000 per quarter).

Updates on Paid Leave

Changes to FFCRA Leaves

1. Extends optional EPSL and EFMLA through September 30, 2021.
2. Employers who choose to offer the paid leaves can receive a tax credit pursuant to current EPSL and EFMLA rules.
3. Expands the reasons for covered leave.
4. Adds a non-discrimination rule prohibiting tax credits if leave discriminates in favor of highly compensated or full-time employees or based on employment tenure.

Updates on Paid Leave

Changes to FFCRA Leaves

- 4.501(c)(1) entities will be permitted to claim both credits.
- 5.The credit for paid family and medical leave shall also be restructured as a refundable credit against the Hospital Insurance payroll tax after 3/31/21 as well as Social Security tax.
- 6.The value of the credits shall be increased by the amounts equal to the employer share of the Social Security and Hospital Insurance tax imposed on qualified paid family and medical leave wages.

Updates on Paid Leave

Changes to FFCRA Emergency Paid Sick Leave (EPSL)

1. Increases the list of reasons that an employer may provide paid leave and claim the credit to include leave resulting from COVID-19 vaccination or from an injury, disability, illness arising from COVID-19 immunization.
2. Resets the 10-day limit for sick leave beginning April 1, 2021.
3. Clarifies that qualified sick leave wages do not include wages classified as payroll costs under some SBA programs.

Updates on Paid Leave

Changes to FFCRA Emergency Family Medical Leave (EFMLA)

1. Increases the list of reasons that an employer may provide paid EFMLA to include all reasons allowed for EPSL (including new reasons).
2. Eliminated the 10 day unpaid waiting period, so 12 entire weeks are paid.
3. Increases the amount of wages from \$10,000 to \$12,000 per employee for which an employer may claim the paid family leave credit in a year.
4. Does not explicitly reset the 12 weeks.

Part III – Other Benefits

Additional Funding for SBA Administrated Programs

PPP Loans

1. \$7.25 billion in Paycheck Protection Program (PPP) funding now more accessible to nonprofit entities, digital media companies, sole proprietors, independent contractors, and self-employed individuals. Eligible nonprofits now include those employing 500 or fewer per physical location (300 or fewer per physical location for second PPP loans) in addition to other standards.
2. Separately, Congress is likely to extend application deadline to apply until 5/31.

Additional Funding for SBA Administrated Programs

EIDL Loans

1. \$15 billion in Economic Injury Disaster Loan (EIDL) funding has been added.
2. A third of which is anticipated to be allotted to businesses that:
 - Suffered loss of revenue greater than 50 percent;
 - Are located in low-income areas; and
 - Employ 10 or fewer people.

Additional Funding for SBA Administrated Programs

Restaurant Revitalization Fund

1. \$25 billion total.
2. Grants may be used to cover payroll costs, mortgage payments, rent, utilities, maintenance expenses, operational expenses, paid sick leave, and supplies.
3. Grant amounts will not exceed a restaurant's pandemic-related revenue loss (which is measured by the difference between 2020 and 2019 gross receipts) of up to \$10M with a limit of \$5M per physical location.

Additional Funding for SBA Administrated Programs

Restaurant Revitalization Fund

4. \$5B allocated to restaurants whose receipts in 2019 were less than \$500k.
5. First 21 days of the program prioritizes small biz owned by women, veterans, or socially and economically disadvantaged individuals.
6. Won't be treated as taxable income, and expenses paid with such grant amounts will be deductible.
7. Groups of affiliates that have more than 20 locations and public companies, among others, do not qualify.

Additional Funding for SBA Administrated Programs

Shuttered Venue Operators Grants

1. Adds \$1.5 billion to the \$15 billion in shuttered venue operators grants.
2. Removes prohibition that prohibited entity from receiving both a PPP loan & grant after Dec. 27, 2020.
3. The amount of the grant will now be reduced by the PPP loan amount received after Dec. 27, 2020.

Jobless Benefits

Unemployment Benefits

1. Extends the federal supplement to state-level unemployment benefits through September 6, 2021 at a rate of \$300 a week.
2. Exempts from gross income up to \$10,200 in unemployment insurance benefits received in 2020 for taxpayers with adjusted gross income below \$150,000.

COBRA

New COBRA Subsidy

1. Creates a federal subsidy covering 100% of COBRA premiums for certain employees and other qualified beneficiaries.
2. Payable during the 6-month period of 4/1/2021-9/30/2021.
3. Individuals who previously experienced an involuntary termination, or reduction in hours, but who did not elect COBRA, are allowed to enroll.
4. The Act requires employers to provide the certain notices to assist in implementing the provisions.

Impact Payments

Additional Stimulus Payments

1. The \$600 recovery payment to individuals enacted in the 2020 omnibus legislation increased to \$2,000 through an additional payment of \$1,400 to qualifying individuals and \$2,800 for qualifying joint filers.
2. The amount is adjusted when AGI reaches \$75,000 for single taxpayers, \$112,500 for heads of household, and \$150,000 for joint filers, then phased out entirely at \$80,000/\$120,000/\$160,000 respectively.

Impact Payments

Additional Stimulus Payments

3. A qualifying taxpayer is eligible for a payment for each individual in the household if the taxpayer's return for which the payment is claimed includes a valid social security number for that member of that household.
4. No reimbursement requirement for overpayment or advance payments that exceed the maximum AGI based on 2021 tax return. If payment amount based on 2020 tax information exceeds the amount of the advance payment, qualifying taxpayers may claim the difference on tax returns for 2021.

Family Tax Credits

Increased Child Tax Credit

1. The Act increases the child credit to \$3,000 per child and \$3,600 for a child under the age of 6 for the year 2021 only (from \$2,000).
2. It is fully refundable and partially advanceable rather than only claiming when the taxpayer files a return.
3. Paid to taxpayers in advance (based on 2019 or 2020 tax return info) in equal payments by the Treasury; payments will start 7/1/2021 and will cover 50 percent of the credit amount for 2021

Family Tax Credits

Increased Child Tax Credit

4. The increased credit amounts are reduced by \$50 for every \$1,000 of AGI over \$150k for joint filers, \$112,500 for heads of household, and \$75k for other filers.
5. Once the increased credit amount phases out, the credit would level off at the current level of \$2,000 and then phase down to \$0 for taxpayers whose modified AGI exceeds current thresholds of \$400,000 for joint filers and \$200,000 for all other filers.

Family Tax Credits

Increased Child Tax Credit

6. If a taxpayer receives payments exceeding his or her allowable child tax credit during a taxable year, the taxpayer's tax liability for the same taxable year shall be increased by the excess amount. For taxpayers with modified AGIs below certain levels, that excess may be reduced by a safe harbor amount permitting the taxpayer to retain a portion of the excess amount.

Family Tax Credits

Earned Income Tax Credit

1. Expands eligibility and the amount for the EITC for taxpayers that do not have qualifying children for 2021.
2. Reduces minimum age to claim childless EITC from 25 to 19 (except for full-time students) and removes the upper age limit.
3. Increases the earned income limit for the maximum credit amount to \$9,820.

Family Tax Credits

Dependent Care Tax Credit

1. Child and dependent care tax credit can be refundable for 2021 while increasing the maximum credit rate to 50 percent.
2. Phase-out requirement to begin at \$125k of AGI rather than \$15k.
3. Increases the amount of child and dependent care expenses that are eligible for the credit to \$8k for individual and \$16k for two or more qualifying individuals.
4. The exclusion for employer-provided dependent care assistance to be increased from \$5,000 to \$10,500.

Additional Miscellaneous Provisions

Additional Items

1. Provides additional funding to the Supplemental Nutrition Assistance Program (food stamp program).
2. Provides child-care and programs for older Americans and their families.
3. Extends emergency rental assistance, homeowner assistance, and other housing programs.
 - Funds the distribution and manufacturing of vaccines.
 - Adds support for agriculture, including debt relief and other assistance.

Part III – Q & A



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**Thank you
&
Stay Safe!**

