



COMMITTEE *on* FINANCE

* * * *Chairman Chuck Grassley*

COVID- RELATED TAX RELIEF ACT OF 2020

Sec. 2 & 3. Additional 2020 recovery rebates for individuals. The provision provides a refundable tax credit in the amount of \$600 per eligible family member. The credit is \$600 per taxpayer (\$1,200 for married filing jointly), in addition to \$600 per qualifying child. The credit 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.

The provision also provides for Treasury to issue advance payments based on the information on 2019 tax returns. Eligible taxpayers treated as providing returns through the nonfiler portal in the first round of Economic Impact Payments, provided under the CARES Act, will also receive payments. Treasury may issue advance payments for Social Security Old-Age, Survivors, and Disability Insurance beneficiaries, Supplemental Security Income recipients, Railroad Retirement Board beneficiaries, and Veterans Administration beneficiaries who did not file 2019 returns based on information provided by the Social Security Administration, the Railroad Retirement Board, and the Veterans Administration.

In general, taxpayers without an eligible social security number are not eligible for the payment. However, married taxpayers filing jointly where one spouse has a Social Security Number and one spouse does not are eligible for a payment of \$600, in addition to \$600 per child with a Social Security Number.

The provision aligns the eligibility criteria for the new round of Economic Impact Payments and the credit for the Economic Impact Payments provided by the CARES Act. Taxpayers receiving an advance payment that exceeds the amount of their eligible credit will not be required to repay any amount of the payment. If the amount of the credit determined on the taxpayer's 2020 tax return exceeds the amount of the advance payment, taxpayers will receive the difference as a refundable tax credit.

Advance payments are generally not subject to administrative offset for past due federal or state debts. In addition, the payments are protected from bank garnishment or levy by private creditors or debt collectors.

Additionally, the provision instructs Treasury to make payments to the territories that relate to each territory's cost of providing the credits.

Sec. 4. Extension of certain deferred payroll taxes. On August 8, 2020, the President of the United States issued a memorandum to allow employers to defer withholding employees' share of

social security taxes or the railroad retirement tax equivalent from September 1, 2020 through 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. Beginning on 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. 5. Regulations or guidance clarifying application of educator expense tax deduction. The provision requires the Secretary of the Treasury to issue guidance or regulations providing that personal protective equipment and other supplies used for the prevention of the spread of COVID-19 are treated as eligible expenses for purposes of the educator expense deduction. Such regulations or guidance shall be retroactive to March 12, 2020.

Sec. 6. Clarification of tax treatment of Paycheck Protection Program loans. The provision clarifies that gross income does not include any amount that would otherwise arise from the forgiveness of a Paycheck Protection Program (PPP) loan. This provision also clarifies that deductions are allowed for otherwise deductible expenses paid with the proceeds of a PPP loan that is forgiven, and that the tax basis and other attributes of the borrower's assets will not be reduced as a result of the loan forgiveness. The provision is effective as of the date of enactment of the CARES Act. The provision provides similar treatment for Second Draw PPP loans, effective for tax years ending after the date of enactment of the provision.

Sec. 7. Emergency financial aid grants. The provision provides that certain emergency financial aid grants under the CARES Act are excluded from the gross income of college and university students. The provision also holds students harmless for purposes of determining eligibility for the American Opportunity and Lifetime Learning tax credits. The provision is effective as of the date of enactment of the CARES Act.

Sec. 8. Clarification of tax treatment of certain loan forgiveness and other business financial assistance under the coronavirus relief legislation. The provision clarifies that gross income does not include forgiveness of certain loans, emergency EIDL grants, and certain loan repayment assistance, each as provided by the CARES Act. The provision also clarifies that deductions are allowed for otherwise deductible expenses paid with the amounts not included in income by this section, and that tax basis and other attributes will not be reduced as a result of those amounts being excluded from gross income. The provision is effective for tax years ending after date of enactment of the CARES Act. The provision provides similar treatment for Targeted EIDL advances and Grants for Shuttered Venue Operators, effective for tax years ending after the date of enactment of the provision.

Sec. 9. Authority to waive certain information reporting requirements. The provision gives Treasury authority 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. 10. Application of special rules to money purchase pension plans. The CARES Act temporarily allows 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. This section clarifies that money purchase pension plans are included in the retirement plans qualifying for these temporary rules. The provision applies retroactively as if included in Section 2202 of the CARES Act.

Sec. 11. Election to waive application of certain modifications to farming losses. This section allows farmers who elected a two-year net operating loss carryback prior to the CARES Act to elect to retain that two-year carryback rather than claim the five-year carryback provided in the CARES Act. This section also allows farmers who previously waived an election to carry back a net operating loss to revoke the waiver. These clarifications eliminate unnecessary compliance burdens for farmers. The provision applies retroactively as if included in Section 2303 of the CARES Act.

Sec. 12. Oversight and audit reporting. The 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. The Comptroller General is required to provide briefings and reports to “appropriate congressional committees.” The CARES Act omitted the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives in its list of “appropriate congressional committees.” This section includes those two committees in the appropriate-committee list, as the Comptroller General’s monitoring and oversight is expected to cover matters in the committees’ jurisdiction and may involve accessing federal tax data.

Sec. 13. Disclosures to identify tax receivables not eligible for collection pursuant to qualified tax collection contracts. Section 1205 of the 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 on January 1, 2021. The 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. The provision provides the authority needed to share such information and make the Taxpayer First Act provision work as intended.

Sec. 14. Modification of certain protections for taxpayer return information. The provision modifies a provision in the CARES Act. The CARES Act modified Section 3 of the FUTURE Act (P.L. 116-91), which amended section 6103 of the Code to allow the IRS to share tax return information of student aid applicants, their parents, students, and borrowers with the Department of Education and further allowed that tax return information be redisclosed to colleges and universities (and certain scholarship organizations) with the taxpayer confidentiality protections afforded under section 6103 of the Code. 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). The provision unwinds and fixes 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.

Sec. 15. Election to Terminate Transfer Period for Qualified Transfers from Pension Plan for Covering Future Retiree Costs. Section 420 of the Internal Revenue Code permits “qualified future transfers,” under 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. Such transfers must meet a number of requirements: the plan must be 120 percent funded at the outset, it must be 120 percent funded throughout the transfer period, all unused amounts must be transferred back, and the plan is subject to a maintenance of effort requirement. Applying the current-law requirements during the market volatility related to the coronavirus pandemic has caused plans that have been historically far over 120 percent funded to fall below 120 percent and face a requirement to immediately restore these large market losses in order to get back to 120 percent funded. This provision would allow 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 continues to apply as if the transfer period were not shortened, the employer ensures the plan stays at least 100 percent funded throughout the original transfer period, the plan has funding targets for the first five years after the original transfer period, and all amounts left in the retiree benefits account at the end of the shortened transfer period must be returned to the pension plan (without application of an excise tax to such amounts).

Sec. 16. Extension of credits for paid sick and family leave. The provision extends the refundable payroll tax credits for paid sick and family leave, enacted in the Families First Coronavirus Response Act, through the end of March 2021. It also modifies the tax credits so that they apply as if the corresponding employer mandates were extended through the end of March 2021. This provision is effective as if included in FFCRA.

Sec. 17. Election to use prior year net earnings from self-employment in determining average daily and 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. This provision is effective as if included in FFCRA.

Sec. 18. Certain technical improvements to credits for paid sick and family leave. Makes technical changes coordinating the definitions of qualified wages within the paid sick leave, paid family and medical leave, and the exclusion of such leave from employer OASDI tax. This provision is effective as if included in FFCRA.

