

How will the latest COVID-19 legislation affect your taxes?



The Consolidated Appropriations Act (CAA), signed into law on Dec. 27, provides relief in response to the COVID-19 pandemic, such as another round of “recovery rebate” payments to individuals and an expansion of the Paycheck Protection Program (PPP) loan program for businesses and other employers. The legislation includes some tax relief as well.

A brief overview

Here’s a brief overview of some of the tax-related provisions that may affect you or your business:

Individuals

- Permanent reduction of adjusted gross income (AGI) floor to 7.5% for medical expense deductions
- Extended nonitemizer deduction for up to \$300 of cash donations (\$600 for married couples filing jointly) to qualified charities through 2021
- Extended 100% of AGI deduction limit for cash donations to qualified charities through 2021
- Extended exclusion for certain employer payments of student loans through 2025

Businesses and other employers

- Clarification of tax treatment for PPP loans, certain loan forgiveness and other financial assistance under COVID-19 legislation
- Extended payroll tax credits for paid leave required under the Families First Coronavirus Response Act through March 2021
- Extended and expanded tax credits for retaining employees under the Coronavirus Aid, Relief and Economic Security (CARES) Act through June 2021
- 100% business meals deduction for food and beverages provided by restaurants in 2021 and 2022
- Extended Work Opportunity credit through 2025
- Extended New Markets credit through 2025
- Extended family medical leave credit through 2025

More details

This is just a brief look at some of the most significant tax-related provisions in this 5,500+ page legislation. Contact your tax advisor for more details on how the CAA may affect you.

