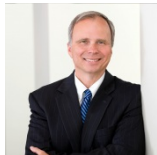


Federal Income Tax Changes in the Consolidated Appropriations Act of 2021

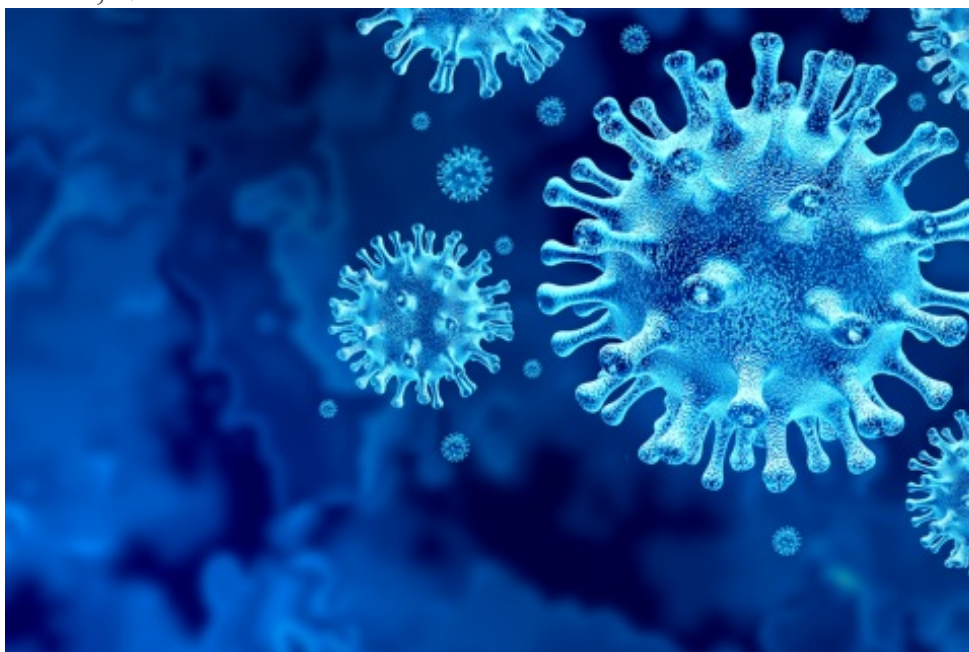


Mark Davidson
February 8, 2021

Subscribe to News and Insights

Via RSS

Via Email



The Consolidated Appropriations Act of 2021, enacted late last year, includes several tax related changes and incentives affecting businesses.

Congress overruled guidance from the Internal Revenue Service to provide that expenses paid with Payroll Protection Program loans (PPP) will be deductible even if the PPP loans are forgiven. The new law also clarifies how forgiveness works in the context of a partnership or S corporation.

Congress modified the [Employee Retention Credit](#) in two important ways. First, businesses that receive PPP loans may now qualify for the employee retention credit, but not with respect to payroll expenses that are used to qualify for forgiveness of PPP loans. Second, the Employee Retention Credit has been extended to June 30, 2021 on significantly improved terms, including allowing for a larger credit and easier qualification for some employers.

Congress also modified the [deferred payroll tax scheme](#) put into place last year. Deferred payroll taxes can be paid by the employee through wage withholding continuing until Dec. 31, 2021 instead of only through April 30, 2021.

Finally, Congress extended payroll tax credits for COVID leave programs through March 31, 2021. For more information please see our [client alert](#).

If you have questions, please contact Mark Davidson or Josh Lingerfelt, linked below.

Brooks Pierce is dedicated to keeping our clients fully informed during the COVID-19 crisis. For more information, please visit our [COVID-19 Response Resources](#) page.