



American Rescue Plan Act of 2021 Includes Business Tax Provisions

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On Thursday March 11, President Biden signed the American Rescue Plan Act of 2021 (the "Act") into law. The \$1.9 trillion Act includes COVID-19 relief, as well as broader stimulus, but also includes several revenue-raising and business tax provisions.

Revenue-Raising Provisions

The Act repeals the worldwide interest allocation election found in IRC § 864(f), which would have permitted taxpayers to allocate interest expense between US and foreign sources in calculating their foreign tax credit limitation. Although passed in 2014, the effective date of the election had been delayed to taxable years beginning after December 31, 2020. Instead the election has been repealed, effective as of the same date.

The Act lowers the reporting threshold for third party settlement organizations to \$600, without any transaction minimum, for calendar years beginning after December 31, 2021. Currently, the reporting threshold for 2021 is \$20,000 and 200 transactions per payee.

The Act expands the limitation of a deduction for compensation above \$1 million for certain covered employees of publicly held corporations under IRC § 162(m). Effective for taxable years beginning after December 31, 2026, the Act expands the limitation to cover the next five highest compensated employees beyond those already included.

The Act extends the limitation on excess business losses for noncorporate taxpayers under § 461(l) an additional year, to January 1, 2027. The rule limits certain losses to \$250,000, indexed for inflation.

Other Business Tax Provisions

Other business tax provisions include the extension of the Employee Retention Credit for the final two quarters of 2021. The Act codifies the credit for both quarters under new Internal Revenue Code Section 3134.

The Act provides that Economic Injury Disaster Loan (EIDL) grants and Restaurant Revitalization grants are excluded from gross income. The Act further provides that the income exclusion will not cause any denial of a deduction, reduction of a tax attribute, or denial of an increase in tax basis.

Should you have any questions about the tax impacts of the American Rescue Plan Act of 2021, please do not hesitate to reach out to any member of the firm's Tax practice. We continue to monitor tax-related legislation in Congress.

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