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Dear Clients and Friends:

The purpose of this letter is to provide you with news on the American Rescue Plan and other recent tax developments.

The American Rescue Plan ("ARPA") was signed by President Biden on March 11, 2021 to address the continuing economic impact of the COVID-19 pandemic on taxpayers, employers and employees. ARPA includes a variety of tax provisions to provide pandemic relief for individuals and businesses. In addition, ARPA extends and expands upon a variety of tax relief provisions originally passed in the Families First Coronavirus Relief Act ("FFCRA"), the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), and the Consolidated Appropriations Act of 2021 ("CAA").

This newsletter highlight only some of the most significant ARPA provisions and tax law changes impacting individuals and businesses. Please be aware that the IRS and other government agencies are still working through updates of their processes and forms to address ARPA changes. In addition, please be aware that California has not yet updated (or conformed) its tax laws to incorporate most of the federal laws mentioned above. Accordingly, great care should be taken for this tax filing season, and taxpayers should check for federal and California updates before filing their tax returns.

Extension Of Income Tax Filing Deadline. The IRS has announced that the federal income tax filing due date for individuals for the 2020 tax year will be automatically extended from April 15, 2021, to May 17, 2021. The postponement applies to individual taxpayers, including individuals who pay self-employment tax. Penalties, interest and additions to tax will begin to accrue on any remaining unpaid balances as of May 17, 2021. The postponement does not apply to estimated tax payments for the 2021 tax year, and the first installment of 2021 estimated tax payments is still due on April 15, 2021. The postponement also does not apply to fiduciary or pass-through entity income tax returns (trusts, estates, partnerships, LLCs, etc.) or to estate or gift tax returns, and tax returns for these entities are still due April 15, 2021 (unless extended).

Earlier today, the California Franchise Tax Board announced that California will conform to this extension for the filing of individual California tax returns until May 17, 2021. As with the federal extension, the postponement does not apply to California 2021 estimated tax payments, and the first installment of California 2021 estimated tax payments is still due on April 15, 2021.

2021 Individual Recovery Rebate/Credit. ARPA includes a refundable 2021 income tax credit (the "Individual Recover Rebate / Credit", or "IRRC") for an eligible individual equal to the sum of: (i) $1,400 ($2,800 for eligible individuals filing a joint return), plus (ii) $1,400 for each qualifying dependent of an eligible individual. The details for the IRRC are:

- An eligible individual is any individual other than a nonresident alien or an individual who is a dependent of another taxpayer for the tax year. A qualifying dependent of an eligible individual includes a child or other relative (of any age) who resides with the eligible individual at least six months of the year and for whom the taxpayer provides at least one-half of the dependent's support. The eligible individual's tax return must include a social security number for each qualifying recipient.

- The amount of the IRRC is ratably reduced (but not below zero) for taxpayers with adjusted gross income (AGI) of over (i) $150,000 for a joint return, (ii) $112,500 for a head of household; and (iii) $75,000 for all other taxpayers. The IRRC is completely phased out (reduced to zero) for taxpayers with AGI of over (i) $160,000 for a joint return, (ii) $120,000 for a head of household, and (iii) $80,000 for all other taxpayers.

- Each eligible individual is treated as having made an income tax payment for 2019 (or 2020, if the taxpayer has already filed his 2020 return) equal to the amount that would have been allowed as an IRRC for 2019 (or 2020) had ARPA been in effect (the "advance refund"). Thus, although the IRRC is technically in effect for 2021, the law treats the IRRC as an overpayment for 2019 (or 2020, if the 2020 return has been filed) that IRS will refund as soon as possible.

- The IRS is currently sending out "advance refunds" of the IRRC based on taxpayers' 2019 and 2020 returns. Most eligible individuals won't have to take any action to receive an "advance refund" from IRS. IRS will try to make the payments electronically if appropriate, or by check or debit card. Taxpayers can check the status of their "advance refund" on the IRS's website at: https://www.irs.gov/coronavirus/get-my-payment. No "advance refund" of the IRRC will be made after December 31, 2021.

- The amount of the IRRC for 2021 must be reduced (but not below zero) by the aggregate "advance refund" made or allowed to the taxpayer during 2021. Thus, if the "advance refund" exceeds the amount the taxpayer actually is owed for 2021, the taxpayer does not have to refund the excess payment.

Expansion Of Child Tax Credit. ARPA temporarily enhances and expands the eligibility for, and the amount of, the child tax credit ("CTC") for individual taxpayers in 2021 and requires the IRS to make monthly advance payments of CTC to taxpayers in July through December of 2021. The expanded CTC and monthly advance payments are available only for 2021, and pre-ARPA law goes back into effect in 2022.

- Under pre-ARPA law, the CTC was $2,000 per "qualifying child" (a dependent child under the age of seventeen who lived with the taxpayer for at least six months during the year and who was a U.S. citizen, national, or U.S. resident). The $2,000 CTC was phased out for taxpayers with modified adjusted gross income (AGI) over $200,000 (or over $400,000 for married-filing-jointly filers), at a rate of $50 per $1,000 (or part of a $1,000) by which modified AGI exceeded the threshold amount. The CTC was also partially refundable. In all events, the maximum refundable credit under pre-ARPA law was $1,400 per qualifying child. A $500 nonrefundable credit (per dependent) (the so-called "family credit") is also allowed for each qualified dependent who isn't a "qualifying child" under the CTC definition.

- For 2021 only, ARPA expands the CTC as to both eligibility and amount. First, the definition of a "qualifying child" is broadened to include seventeen year-olds (i.e., children who haven't turned 18 by the end of 2021) whom the taxpayer can claim as a dependent. Second, the CTC is increased to $3,000 per qualifying child ($3,600 for qualifying children under age six as of the close of the year), subject to special phase-out rules.

- For 2021 only, the CTC is subject to two sets of phase-out rules: (i) the increased CTC amount (the $1,000 or $1,600 amount in excess of the original $2000 CTC amount) is phased out for taxpayers with modified AGI of over $75,000 for singles, $112,500 for heads-of-households, and $150,000 for joint filers and surviving spouses; and (ii) after applying the above phase-out rule to the increased amount of the CTC, the remaining $2,000 of CTC is subject to the existing phase-out rules (i.e., the $2,000 of credit is phased out for taxpayers with modified AGI of over $200,000/$400,000 for joint filers). Thus, even if a taxpayer isn't eligible to claim an increased CTC in 2021 due to high AGI, the taxpayer can still claim the regular $2,000 CTC, subject to the existing phase-out rules.

- For 2021 only, the CTC is fully refundable for a taxpayer (either spouse for a joint return) with a principal place of abode in the U.S. for more than one-half of the tax year, or for a taxpayer who is a bona fide resident of Puerto Rico for the tax year. The $500 family credit for dependents other than "qualifying children" remains nonrefundable.

- The IRS will establish a program to make monthly advance payments (generally by direct deposit) which (in total) equal 50% of IRS's estimate of the eligible taxpayer's 2021 CTCs. These payments will start in July 2021 and will be paid through December 2021. To determine a taxpayer's advance CTC payments, IRS will look at the taxpayer's 2020 return (or the taxpayer's 2019 return, if the 2020 return hasn't been filed yet). The IRS is also working to set up a program for taxpayers to input updated 2021 information to qualify for advance payments. If a taxpayer receives advance CTC payments that are in excess of the CTC actually allowable to the taxpayer for 2021, the taxpayer must repay those excess amounts (by increasing the tax liability reported on the taxpayer's 2021 returns). But for certain low- and moderate-income taxpayers, the excess may be reduced by a safe harbor amount, allowing the taxpayer to keep a portion of the excess amount.

- To claim the CTC, a taxpayer must include each qualifying child's name and social security number (SSN) on the taxpayer's tax return, and those SSNs must have been issued before the return's filing due date. If a qualifying child doesn't have an SSN, the taxpayer can still claim the $500 family credit for that child, using an individual taxpayer identification number (ITIN) or adoption taxpayer identification number (ATIN).

Enhanced Child And Dependent Care Tax Credit. For the 2021 tax year, ARPA enhances the child and dependent care tax credit ("CDC credit"), which is available for eligible expenses a taxpayer pays for the care of qualifying individual(s) under the age of 13 so that the taxpayer can be gainfully employed. For a care expense to qualify for the CDC credit, the expense must be "employment-related" [i.e., it must enable the taxpayer (or spouse) to work, and it must be for the care of a child, stepchild, foster child, sibling or step-sibling (or a descendant of any of these) who is under age thirteen, lives in the taxpayer's home for over half the year, and doesn't provide over half of his or her own support for the year]. The expense can also be for the care of a spouse or dependent who's handicapped and lives with the taxpayer for over half the year. The typical expenses that qualify for the CDC credit are payments to a daycare center, nanny, nursery school, and before-and-after-school programs (provided that the payee is properly identified on the taxpayer's tax return). As with prior law, qualifying expenses are capped at the amount of the income the taxpayer (or spouse) earns from work, self-employment, or certain disability and retirement benefits, using the income for whichever of the taxpayer or spouse earns less. ARPA has expanded the maximum amount and percentage of eligible expenses which can be claimed for the CDC credit and modified the "phase out" rules:

- For 2021, the amount of childcare expenses which qualify for the CDC credit are (i) the first $8,000 (increased from $3000) of qualifying expenses if the taxpayer has one qualifying individual, or (ii) $16,000 (up from $6000) if the taxpayer has two or more qualifying individuals. However, if the taxpayer's employer has a dependent care assistance program under which the taxpayer receives benefits excluded from gross income, the qualifying expense limits ($8,000 or $16,000) are reduced by the excludable amounts received from the dependent care assistance program.

- The CDC credit will be computed as a percentage of the taxpayer's qualifying expenses depending on the taxpayer's AGI. The applicable percentage of qualifying expenses has been increased to 50% (from 35%), but is reduced by 1% for each $2,000 (or fraction thereof) by which the taxpayer's AGI for 2021 exceeds $125,000 (up from $15,000). If the taxpayer's AGI is $125,000 or less, the maximum amount of the credit is $4,000 ($8,000 x 50%) for taxpayers with one qualifying individual and $8,000 ($16,000 x 50%) for taxpayers with two or more qualifying individuals.

- New for the 2021 tax year is a further phaseout of the credit for high-income individuals. The phaseout percentage is 20% (instead of 50%) reduced (but not below zero) by 1 % for each $2,000 (or fraction thereof) by which AGI for 2021 exceeds $400,000.

- In sum, the applicable percentage of the CDC credit is 50% of qualifying expenses for taxpayers with AGI of $125,000 or below. The applicable percentage decreases one percent for every $2,000 (or fraction thereof) by which the taxpayer's AGI exceeds $125,000 until AGI reaches $185,000. The applicable percentage of the CDC credit is 20% of qualifying expenses for taxpayers with AGI greater than $185,000 but not greater than $400,000. For taxpayers with AGI above $400,000, the applicable percentage again decreases one percent for every $2,000 (or fraction thereof). Thus, for taxpayers with AGI greater than $440,000, the CDC credit is phased out completely.

Unemployment Received In 2020 In Partially Excluded From Income For Some Taxpayers. Unemployment compensation is usually taxable as ordinary income. However, for 2020, ARPA provides that if the adjusted gross income (AGI) of the taxpayer for the tax year is less than $150,000, the taxpayer can exclude from gross income up to $10,200 of unemployment compensation received by the taxpayer (or, in the case of a joint return, received by each spouse). Any portion of unemployment compensation received in excess of $10,200 is still included in gross income. ARPA does not provide for a phase-out based on AGI. Therefore, if a taxpayer makes $150,000 or more, the exclusion does not apply, and all of the individual's unemployment compensation will be included in gross income. The same $150,000 limit applies to returns filed jointly, as head of household, or with single status. However, in the case of a joint return, the $10,200 exclusion applies separately to each spouse. The IRS has issued instructions telling taxpayers to report the unemployment compensation exclusion as a subtraction from Schedule 1 (Form 1040), line 8, and the IRS has created a new worksheet to compute the taxpayer's modified adjusted gross income for purposes of the exclusion. Some taxpayers have already filed their 2020 returns, and the IRS has asked these taxpayers to wait to file amended returns, pending the issuance of further guidance. The IRS is working to create a process to automatically calculate and refund excess taxes paid by taxpayers who have already filed and who qualify for the unemployment compensation exclusion.

Expansion Of The Earned Income Tax Credit. ARPA expands and increases the Earned Income Tax Credit ("EITC") for lower-income taxpayers and expands the eligibility requirements for claiming the EITC:

- Under pre-ARPA law, a taxpayer with no qualifying children must be over twenty-four but under sixty-five years old to claim the EITC. ARPA expands the age eligibility rules to include taxpayers with no qualifying children (other than students) who are at least nineteen years old, with no upper age limit. The pre-ARPA rules still apply to most students (other than "qualified foster youths" or "qualified homeless youths"), who must be at least twenty-four years old to claim the EITC. Qualified foster youths and qualified homeless youths must be at least eighteen.

- Pre-ARPA law provided that the EITC for taxpayers with no qualifying children for 2021 could be up to $543 if neither the taxpayer's earned income nor their adjusted gross income (AGI) exceeded $8,800 ($14,820 for joint filers). Under ARPA, the 2021 EITC of a taxpayer with no qualifying children can be as much as $1,502 if neither the taxpayer's earned income nor their AGI exceeds $11,610 ($16,610 for joint filers).

- The EITC is calculated as a percentage of the taxpayer's "earned income" for the year, including wages, salaries, tips, and other compensation, as well as self-employment income. In a pro-taxpayer change, ARPA allows taxpayers to use the greater of their 2019 or 2021 earned income for purposes of calculating the amount of their 2021 EITC. For joint returns, the taxpayer's earned income for 2019 is the sum of each spouse's earned income for 2019. This ARPA change applies only to the 2021 tax year.

- Under pre-ARPA law, a taxpayer who had "disqualified income" (certain types of investment income) over an inflation-adjusted amount ($3,650 for 2021) for the year could not claim the EITC. Under ARPA, the threshold amount for disqualified income increases to $10,000, effective for tax years beginning after 2020. This $10,000 amount will be adjusted for inflation after 2021.

- The EITC cannot be claimed for a qualifying child unless the taxpayer provides the qualifying child's name, age, and taxpayer identification number (generally, a Social Security number). A pre-ARPA rule said that a taxpayer who would have been able to claim the EITC for a qualifying child, but couldn't do so because the above identification requirements weren't met, couldn't claim the EITC that applies for taxpayers with no qualifying children. ARPA removes that rule, effective for tax years beginning after 2020. This means that if an otherwise eligible individual has qualifying children, but cannot provide proper identification for them, the individual is eligible for the EITC that applies for individuals who have no qualifying children.

- Effective for tax years beginning after 2020, ARPA liberalizes the rules under which certain separated married people need not file jointly to claim the EITC. Under these new rules, as an alternative to meeting the requirement that the spouses not live together for the last six months of the year, if the taxpayer has a decree, instrument, or agreement (other than a decree of divorce) and is not a member of the same household with his or her spouse by the end of the tax year, a joint return need not be filed (assuming the other requirements, such as having a qualifying child, are met).

Major Changes To Expand Benefits Of The Affordable Care Act. ARPA makes significant changes to expand the federal subsidies available under the Affordable Care Act (the "ACA"), as follows:

- A refundable premium tax credit ("PTC") is available on a sliding-scale basis for individuals and families with household income between 100% and 400% of the federal poverty line who are enrolled in a qualified health plan purchased on a qualifying ACA Exchange (the "Exchange"), as long as the individual (and family) aren't eligible for other qualifying coverage or affordable employer-sponsored health insurance plans providing minimum value. The PTC is limited to the excess of the premiums for the applicable second-lowest cost silver plan (the benchmark plan) covering the taxpayer's family offered by the Exchange over the taxpayer's contribution amount (the "required share"). The taxpayer's required share equals the taxpayer's household income multiplied by an applicable percentage for the tax year. The applicable percentage for a tax year is based on the taxpayer's income level relative to the federal poverty line for the year and is adjusted for inflation.

- Under ARPA, the formulas for calculating the taxpayer's required share (and the amount of the taxpayer's PTC) are revised for 2021 and 2020, resulting in a decrease in the taxpayer's required share (and a corresponding increase in the taxpayer's PTC) for those years. Under pre-ARPA law, a taxpayer might have had to spend as much as 9.83% of household income on health insurance premiums. Under ARPA, an eligible taxpayer's required share is capped at 8.5% for 2020 and 2021.

- Under pre-ARPA law, individuals with household income above 400% of the federal poverty line weren't eligible for the PTC. ARPA eliminates this requirement for the 2021 and 2022 tax years, meaning that the PTC will be available to qualifying taxpayers with household incomes that exceed 400% of the federal poverty line for those years.

- A qualifying taxpayer's PTC is payable in advance directly to the insurer, with the advance payments are based on income estimated from tax returns for prior years. The taxpayers were required to reconcile the amount of the PTC, based on the taxpayer's actual household income, family size, and premiums, with the amount of the advance payments. A taxpayer whose PTC for the tax year exceeds the taxpayer's advance payments receives the excess as an income tax refund. Under pre-ARPA law, a taxpayer whose advance payments for the tax year exceeded the taxpayer's PTC owed the excess as additional income tax, subject to a repayment cap based on household income. For 2020 only, no additional income tax is imposed where the advance credit payments exceed the taxpayer's PTC.

- ARPA also contains other provisions to loosen eligibility requirements for PTCs. For example, ARPA provides for special PTC eligibility rules for taxpayers who have received, or been approved to receive, unemployment compensation for any week beginning during 2021. If a taxpayer needs financial assistance to obtain health insurance coverage and didn't qualify for a PTC in the past, the taxpayer is encouraged to explore the expanded ARPA eligibility requirements in greater detail.

Student Loan Discharges. Before the enactment of ARPA, Code Sec. 108 provided exceptions to the general rule requiring the inclusion of cancellation of indebtedness (COD) income from the discharge of student loans for: (i) discharges in exchange for a provision requiring certain work for a certain period by certain professionals (e.g., a doctor in a public hospital in a rural area), or (ii) discharges on account of the death or total and permanent disability of a student. IRS also provided additional relief from COD resulting from certain student loan discharges (e.g., for certain taxpayers who had loans discharged under the Department of Education's Closed School process or the Defense to Repayment discharge process). All other cancelled student loans were treated as taxable income (unless discharged in a bankruptcy proceeding, an extremely rare exception). ARPA excludes certain discharges of student loans after December 31, 2020, and before January 1, 2026 from gross income for the following types of loans: (i) loans provided expressly for post-secondary educational expenses if the loan was made, insured, or guaranteed by a federal, state, or local governmental entity or an eligible educational institution, (ii) private education loans; and (iii) certain loans (including refinanced loans) made by educational institutions, or other tax-exempt organizations, which qualify as public charities, where the loan is funded under an agreement with the federal government or pursuant to a program to meet under-served needs and communities. However, the discharge of a loan made by either an educational institution or a private education lender is not excluded if the discharge is on account of services performed for either the organization or for the private education lender. The rules for exclusion of student loan forgiveness are complicated and should be reviewed carefully before pursuing discharge of the student loan to ensure qualification for tax-free treatment.

<u>Paid Sick And Family Leave Credits</u>. ARPA changes the rules for paid and family leave credits (adopted under FFCRA) and extends the FFCRA paid sick time and paid family leave credits from March 31, 2021 through September 30, 2021. There are a multitude of additional, substantial ARPA changes to the paid sick and family leave credits, which apply to amounts paid with respect to calendar quarters beginning after March 31, 2021. If you would like information regarding the scope and nature of these changes, please let me know.

<u>Employee Retention Credit</u>. ARPA also modifies provisions of the Employee Retention Credit ("ERC") and extends the ERC from June 30, 2021 until December 31, 2021. The legislation would continue the ERC rate of credit at 70% for this extended period of time. It also continues to allow for up to $10,000 in qualified wages for any calendar quarter Taking into account the CAA extension and the ARPA extension, this means an employer would potentially have up to $40,000 in qualified wages per employee eligible for the ERC through 2021. ARPA also makes additional modifications to the ERC program. If you would like information regarding the scope and nature of these changes, please let me know.

<u>Unemployment Provisions</u>. ARPA also extends continued unemployment provisions to September 6, 2021. This include extensions of the: (i) pandemic unemployment assistance (PUA), (ii) federal pandemic unemployment compensation of $300 per week (FPUC), (iii) pandemic emergency unemployment compensation (PEUC), (iii) the full federal funding of extended unemployment compensation, and (iv) the funding of other assistance to state unemployment benefits programs. ARPA does not extend the 50% credit for reimbursing employers.

<u>Paycheck Protection Program Modifications</u>. ARPA also allocates some additional funding for the Paycheck Protection Program ("PPP") as follows:

- ARPA allocates an additional $7.25 billion towards PPP funding, <u>however, the application period has not been extended and remains March 31, 2021</u>.
- ARPA adds "additional covered nonprofit entity" as an eligible nonprofit eligible for First Draw and Second Draw PPP loans. An "additional covered nonprofit entity" is an organization listed in Code Sec. 501(c) other than those Code Sec. 501(c)(3), Code Sec. 501(c)(4), Code Sec. 501(c)(6), or Code Sec. 501(c)(19). An "additional covered nonprofit entity" is eligible for a PPP loan if: (i) the organization employs no more than 300 employees, (ii) it does not receive more than 15% of its receipts from lobbying activities, (iii) lobbying activities do not comprise more than 15% of the organization's total activities, and (iv) the cost of lobbying activities does not exceed $1,000,000 during the most recent tax year that ended prior to February 15, 2020.
- ARPA adds the following to eligible entities for PPP loans: (1) Code Sec. 501(c)(3) nonprofit and veterans' organizations with up to 500 employees; and (2) Code Sec. 501(c)(6) nonprofit organizations (business leagues, chambers of commerce, real estate boards, boards of trade and professional football leagues); and (3) domestic marketing

organizations with no more than 300 employees per physical location.

- ARPA adds Internet-only news publishing and Internet-only periodical publishers to businesses eligible for First and Second Draw PPP loans. To be eligible, the organization must employ no more than 500 employees.

- APRA provides that amounts used from First Draw and Second Draw PPP loans for premiums used to determine the credit for COBRA premium assistance as provided under Code. Sec. 6432 are eligible for loan forgiveness.

Dependent Care Assistance. The amount of taxable wage exclusion for dependent care benefits is increased from $5,000 to $10,500 for married couples filing jointly. The amount of excludable wages for married couples filing separately is $5,250. This increase applies to any taxable year beginning after December 31, 2020, and before January 1, 2022, effective December 31, 2020.

Subsidy For COBRA Premiums. Under ARPA, Assistance Eligible Individuals (AEIs) may receive a 100% subsidy for COBRA premiums paid during any period of COBRA coverage during the period beginning on April 1, 2021 (the first day of the first month beginning after enactment) and ending on September 30, 2021. AEIs are individuals who are eligible to elect COBRA insurance following an involuntary termination of employment or reduction of hours, and includes individuals who became eligible to elect COBRA insurance before April 1, 2021. The eligibility rules are quite complex, and employers are required to provide notice of the new rules to affected individuals by April 1, 2021.

Refundable Tax Credit. Employers will be allowed a quarterly tax credit against the Medicare payroll tax equal to the premium amounts not paid by AEIs. If the credit amount exceeds the quarterly Medicare payroll tax, the excess will be treated as an overpayment refundable under Code Sec. 6402(a) and Code Sec. 6413(b). The quarterly credit may be paid in advance according to forms and instructions to be provided by the Department of Labor.

Other Relief-Related Provisions. ARPA provides additional benefits for specified industries which have been hit hardest in the pandemic:

- ARPA appropriates $28,600,000,000 for fiscal year 2021 to struggling restaurants to be administered by the SBA. The money will be available until expended. Eligible entities include restaurants, or other specified food businesses, and includes businesses operating in an airport terminal. It does not include a state or local government operated business, or a company that as of March 13, 2020 operates in more than 20 locations, whether or not the locations do businesses under the same name. It also does not include any business that has a pending application for, or has received, and grants under other specified programs. The amount given to any business who fulfills the eligibility and certification requirements is $10,000,000 and limited to $5,000,000 per physical location of the business. Grants may be used for a wide variety of listed expenses.

- The CAA authorized grants to eligible live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theatre operators, or talent representatives who demonstrate a 25% reduction in revenues.

ARPA appropriates $1,250,000,000, for fiscal year 2021, to help carry out these grants. The money will be available until expended. Governmental entities do not qualify.

- ARPA establishes a payroll support program for the continuation of employee wages, salaries and benefits for aviation manufacturing employers who have furloughed at least 10% of its workforce in 2020 compared to 2019, or experienced a 15% decline in revenues from 2019 to 2020 (although separate qualifications are set forth for companies that had no involuntary furloughs.

- ARPA establishes funds to assist the National Railroad Passenger Association and airports financially impacted by COVID-19.

California Comformity On Federal Tax Provisions. Finally, California still has not conformed the majority of its tax laws to include changes to federal tax laws from 2017 onwards:

- As noted above, the California Franchise Tax Board announced that California will conform to this extension for the filing of individual California tax returns until May 17, 2021. As with the federal extension, the postponement does not apply to California 2021 estimated tax payments, and the first installment of California 2021 estimated tax payments is still due on April 15, 2021.

- In March, 2020, California passed legislation to conform state law to the federal CARES Act in a few specific areas, most notably (i) to waive the requirement that taxpayers take their required minimum distribution (RMD) from retirement accounts for 2020, (ii) to permit retirement plan distributions for specific COVID-related distributions, and (iii) to address the tax impact of Payroll Protection Program (PPP) loan forgiveness for taxpayers with tax years starting on or after January 1, 2020. However, the provisions regarding California's PPP loan forgiveness need further clarification.

- On February 18, 2021, Governor Newsome and the leaders of the California legislature announced that they have reached an agreement on a package of COVID-relief benefits, including certain tax provisions conforming to federal law and provisions to clarify the treatment of PPP loan forgiveness. However, the legislation is still pending as lawmakers analyze whether ARPA provisions would adversely impact the bill. Affected taxpayers may want to delay filing of their California returns, pending further clarity on the provisions to be included in this new California COVID-relief bill.

If you or your accountant would like more details about any item discussed in this letter, please do not hesitate to call.

Very truly yours,

Linda Slider

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