Lobbyit's Stimulus Update

What is in the bill?

After months of deliberation, Congress has narrowly avoided a government shutdown by passing a $2.3 trillion omnibus spending package which includes the long-awaited $900 billion coronavirus stimulus bill. One of the largest spending packages in US history, this was a bipartisan compromise carried out at the last possible minute, after a week of nearly 24/7 negotiations between Congressional leaders which was almost derailed by disagreements over state and local funding and the Federal Reserve's lending powers. Like any compromise, neither party got everything they asked for. The sentiment from many on both sides of the aisle is that this is just the beginning of what is needed, and that more aid will come in the new year – of course, whether this will be the case is yet to be determined.

In this document, we will provide an outline of what is included in the nearly 6,000-page document and what key changes organizations can expect to see. Over the coming weeks our team will analyze how this bill changes our advocacy strategy calculus in the new congressional session. As the new Congress and new Administration get underway in the new year, we will be in touch to discuss advocacy plans for the first half of the new year.

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Table of Contents

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Paycheck Protection Program & Small Business Assistance

After months of uncertainty, Congress has finally delivered relief to the many small businesses still reeling from the impacts of the pandemic. In total, small businesses relief programs, through the U.S. Small Business Administration (SBA) would see an infusion of $325 billion, including $284 billion for the Paycheck Protection Program (PPP), $20 billion for businesses in low-income communities and $15 billion for struggling live venues, movie theaters and museums. To get the relief out into the economy as quickly as possible, Congress has placed a statutory mandate on the SBA to complete the regulatory process to effectively implement the new provisions within 10 days of enactment. The clock begins today.

Congress made several modifications to the PPP, including many that Lobbyit had requested of legislators during numerous meetings and written correspondence with House and Senate Small Business Committee staff. Notably, Lobbyit secured language in the relief section to **expand PPP to 501c6 organizations**, which had previously been left out of the program, and to authorize the creation of a PPP2 program to allow businesses in need to **receive a second forgivable loan**. Additionally, Lobbyit also secured, in coordination with other stakeholder groups, language **streamlining PPP loan forgiveness** for certain smaller loans, a provision authorizing businesses to use loan proceeds on **additional eligible expenses**, additional resources for the Emergency Injury Disaster Loan (EIDL) program, and tighter integration between the Employee Retention Tax Credit and PPP.

Below, you will find a detailed summary of the key provisions from the Small Business Assistance portion of the relief package:

- PPP2: The new law creates a second PPP loan program for certain businesses.
    - To receive a PPP2 loan, eligible entities must:
        - Employ not more than 300 employees;
        - Have used or will use the full amount of their first PPP; and
        - Demonstrate at least a 25 percent reduction in gross receipts in the first, second, or third quarter of 2020 relative to the same 2019 quarter. Provides applicable timelines for businesses that were not in operation in Q1, Q2, Q3, and Q4 of 2019. Applications submitted on or after January 1, 2021 are eligible to utilize the gross receipts from the fourth quarter of 2020.
    - Borrowers may receive a loan amount of **up to 2.5X the average monthly payroll** costs in the one year prior to the loan or the calendar year 2019. No loan can be greater than $2 million.
        - New entities may receive loans of up to 2.5X the sum of their average monthly payroll costs.

        - Entities in industries assigned to NAICS code 72 (Accommodations and Food Services) may receive loans of up to 3.5X average monthly payroll costs.
        - Businesses with multiple locations that are eligible entities under the initial PPP requirements may employ not more than 300 employees per physical location.
        - Waiver of affiliation rules that applied during initial PPP loans apply to a second loan.
        - An eligible entity may only receive one PPP second draw loan.
        - Fees are waived for both borrowers and lenders to encourage participation.
        - Non-profit and veterans' organizations may utilize gross receipts as defined in section 6033 of the Internal Revenue Code of 1986 to calculate their revenue loss standard.
    - Borrowers of a PPP2 loan would be eligible for loan forgiveness equal to the sum of their payroll costs, as well as covered mortgage, rent, and utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures incurred during the covered period. The 60/40 cost allocation between payroll and nonpayroll costs to receive full forgiveness will continue to apply.
- Loans made under PPP before, on, or after the enactment of the law are eligible to utilize the expanded forgivable expenses, detailed below, except those borrowers who have already had their loans forgiven. **Newly eligible additional expenses** under PPP include:
    - Operations expenditures:
        - Payment for any software, cloud computing, and other human resources and accounting needs.
    - Property damage costs:
        - Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
    - Supplier costs:
        - Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
    - Worker protection.
        - Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent State and local guidance related to COVID-19 during the period

between March 1, 2020, and the end of the national emergency declaration.

- **Simplified forgiveness**: The new law creates a simplified application process for loans under $150,000:
  - A borrower shall receive forgiveness if a borrower signs and submits to the lender a certification that is not more than one page in length, includes a description of the number of employees the borrower was able to retain because of the covered loan, the estimated total amount of the loan spent on payroll costs, and the total loan amount.
  - The borrower must also attest that the borrower accurately provided the required certification and complied with Paycheck Protection Program loan requirements.
  - The SBA must establish this form within 24 days of enactment and may not require additional materials unless necessary to substantiate revenue loss requirements or satisfy relevant statutory or regulatory requirements.
  - Additionally, borrowers are required to retain relevant records related to employment for four years and other records for three years. The Administrator may review and audit these loans to ensure against fraud.
  - At the discretion of the borrower, the borrower may complete and submit demographic information for all PPP loans.
- **Tax Deductibility Issues**: The bill clarifies that gross income for tax purposes does not include any amount that would otherwise arise from the forgiveness of a PPP loan. It 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 because of the loan forgiveness. Borrowers are afforded the same treatment for Second Draw PPP loans, effective for tax years ending after the date of enactment of the provision. Similarly, the law treats loans received from the SBA's other programs, like the Emergency Injury Disaster Loan (EIDL), in the same manner.
- **Employee Retention Tax Credit** and Integration with PPP: The law extends and expands the ERTC, originally created through the CARES Act. Beginning on January 1, 2021 and through June 30, 2021, the new law:
  - Increases the credit from 50 percent to 70 percent of qualified wages.
  - Expands eligibility for the credit by reducing the required year-over-year gross receipts decline from 50 percent to 20 percent and provides a safe harbor allowing employers to use prior quarter gross receipts to determine eligibility.
  - Increases the limit on per-employee creditable wages from $10,000 for the year to $10,000 for each quarter.
  - Increases the 100-employee delineation for determining the relevant qualified wage base to employers with 500 or fewer employees.

- Removes the 30-day wage limitation, allowing employers to, for example, claim the credit for bonus pay to essential workers.
- Allows businesses with 500 or fewer employees to advance the credit at any point during the quarter based on wages paid in the same quarter in a previous year.
- Provides for a small business public awareness campaign regarding availability of the credit to be conducted by the Secretary of the Treasury in coordination with the Administrator of the Small Business Administration.
- Provides that employers who receive Paycheck Protection Program (PPP) loans may still qualify for the ERTC with respect to wages that are not paid for with forgiven PPP proceeds.
- The law also provides a separate tax credit for 40 percent of wages (up to $6,000 per employee) paid by a disaster-affected employer to a qualified employee (employer's place of business must reside in an area which received a Presidential Disaster Declaration). The credit applies to wages paid without regard to whether services associated with those wages were performed. Certain tax-exempt entities are provided the option to claim the credit against payroll taxes.

- 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 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. The new law 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.
- **501(c)(6) organizations are now eligible to receive a PPP1 loan**, if:
  - The organization does not receive more than 15 percent of receipts from lobbying;
  - The lobbying activities do not comprise more than 15 percent of activities;
  - The cost of lobbying activities of the organization did not exceed $1,000,000 during the most recent tax year that ended prior to February 15, 2020; and
  - The organization has 300 or fewer employees.

Unemployment Insurance & Stimulus Payments

- Restores the **Federal Pandemic Unemployment Compensation** program that supplements all state and federal unemployment benefits at $300 per week. This will start after December 26 and end March 14, 2021. Avoids another *cliff* by allowing recipients as of March 14th to receive benefits for three additional weeks. Extends benefits from 39 to 50 weeks. All benefits will expire on April 5, 2021.
- Also extends the **Pandemic Emergency Unemployment Compensation** (PEUC) program which provides additional weeks of assistance once state unemployment runs out.

Program will now accept applicants until March 14 and allows recipients as of that date to stay on the program three additional weeks, avoiding a benefits *cliff*. Extends benefits overall from 13 to 24 weeks. All benefits will end on April 5, 2021.

- The bill authorizes **$600 stimulus checks** per eligible family member. Taxpayers earning less than $75,000 modified AGI ($150,000 married filing jointly) qualify and the amount phases out at a rate of $5 per $100 of additional income.
- Fixes an issue in the CARES Act where if a couple filed a joint return but only one member had an SSN both members were ineligible for a stimulus payment. The provision now allows each member of a family that has a SSN to receive their stimulus payment regardless of the SSN status of the remaining members of the family. Additionally, this provision is retroactive can receive both stimulus payments that were authorized in 2020.

Education Provisions

- **FAFSA Simplification**
    - The bill simplifies the FAFSA application starting on July 1, 2023.
    - Changes the calculation determining student need from" expected family contribution" to "student aid index" (SAI). A student that qualifies for the maximum Pell Grant based on their AGI will automatically be considered to have an SAI. Applicants who are not required to file a Federal tax return (or if a dependent, whose parents are not) will automatically be considered to have an SAI of -$1,500.
    - Each institution is now required to disclose all cost of attendance elements on its website.
    - Reduces the total questions from 108 to a maximum of 36, including removing questions on Selective Service registration and drug-related offenses.
    - Rather than going through Dept. of Ed's financial data verification process, the application will now use data from the Internal Revenue Service.
    - The Secretary is authorized to make updates to SAI calculations based on changes in the Consumer Price Index.
    - The bill allows greater flexibility for student financial aid administrators in determining a student's eligibility and to adjust an applicant's cost of attendance, their values for SAI or Pell Grant eligibility, and to adjust the dependency status as needed to properly reflect an applicant's need.
- Bill **forgives all outstanding HBCU Capital Financing Loans**, including principal, interest, fees, and costs associated with such loans.
- Foster Youth Provisions
    - **Increases the maximum Chafee ETV award** amount from $5,000 up to $12,000 per youth per year for training and postsecondary education for eligible foster

youth, exempts NYTD penalty assessments from these additional funds, and raises the maximum age through 26 for Chafee-eligible former foster youth.
    - Provides for temporary programmatic flexibilities for older youth in foster care:
        - Suspends certain training and postsecondary education requirements,
        - Clarifies that Chafee ETV vouchers may be used to maintain training and postsecondary education costs, as well as to support programs to allow foster youth to drive, and
        - Lifts the 30% spending cap on housing costs.
- The appropriations language in the bill provides **additional funds for the Social-Emotional Learning (SEL) Initiative** that was created in 2020:
    - $67M for the Education Innovation and Research program which provides grants to support evidence-based, field-initiated innovations that address student social, emotional, and cognitive needs;
    - $30M for Full-Service Community Schools to provide comprehensive services and expand evidence-based models that meet the holistic needs of children, families, and communities; and
    - $106M for the School-Based Mental Health Services Grant Program.
- Increases student financial assistance by $25M to $24.5B:
    - New maximum **Pell Grant award of $6,495**.
    - Provides an increase of $15M for the Federal Supplemental Educational Opportunity Grant program.
    - Increases Federal Work Study funding by $10M.
- Transition from a deduction for qualified tuition and related expenses to an increased income limitation for **lifetime learning credit**.
    - The qualified tuition deduction is capped at $4,000 for an individual whose AGI does not exceed $65,000 ($130,000 for joint filers) or $2,000 for an individual whose AGI does not exceed $80,000 ($160,000 for joint filers). After 2020, the provision repeals the qualified tuition deduction and replaces it by increasing the phase- out limits on the Lifetime Learning credit from $58,000 ($116,000 for joint filers) to $80,000 ($160,000 for joint filers). In most circumstances, these increased phase-out limits hold harmless those taxpayers who would have otherwise benefited from this deduction.
- The bill makes personal protective equipment and other COVID-19 prevention supply expenses a **tax-deductible expense for educators**. This provision is retroactive to March 12, 2020.
- The bill clarifies that emergency financial aid grants under CARES are excluded from gross income for college and university students. This provision is also retroactive.

- Provides $54.3B to the Elementary and Secondary School Emergency Relief Fund that provides grants to states, including funding allocated to school districts based on existing formulas.
- Notably, the bill **does not include an extension of the student loan interest and payment deferment** that currently expires at the end of January.

Health Professions Provisions

- Adds **1,000 new Medicare-funded graduate medical education** (GME) full-time equivalent (FTE) residency positions, beginning in fiscal year 2023, which will be available to the following groups: 1) rural hospitals and hospitals treated as rural hospitals; 2) hospitals over their otherwise applicable resident limit; 3) hospitals in states with certain new medical schools and medical schools with additional locations and branch campuses; and 4) hospitals that serve Health Professional Shortage Areas (HPSAs).
    - Helps beneficiaries receive better access to care and supports improvements in workforce competency by:
        - Allowing physician assistants to bill Medicare directly to increase access.
        - Allowing hospitals to host a limited number of residents for short-term rotations without being negatively impacted by a set permanent FTE resident cap or Per Resident Amount.
        - Encouraging the expansion of rural training opportunities through Medicare GME Rural Training Track programs.

Healthcare Provisions

The final relief package sends billions more into the healthcare and vaccine ecosystem to respond to the current surge and to responsibly deliver vaccines and treatments into the future. In total, the package allocates $69 billion in critically needed funding for COVID-19 testing, contact tracing, vaccines, mental health, and support for health care providers. Included in this funding is money for testing, contact tracing, surveillance, and mitigation; funds for vaccines and therapeutics development; and additional funding to support the distribution of COVID-19 vaccines. The package also includes $4.25 billion in investments for additional mental health services through SAMHSA.

The new law invests $22.4 billion in testing, contact tracing, surveillance, containment, and mitigation, with a targeted investment of no less than $2.5 billion for expanding access to testing and contact tracing in high-risk and underserved populations, including for communities of color and rural areas, and $790 million for the Indian Health Service to support Tribes. Congress dedicated over $19 billion to increase the nation's supply of COVID-19 vaccines and $8.75 billion for vaccine distribution, administration, planning, preparation, promotion, monitoring, and tracking, with a targeted investment of $300 million for high risk and underserved populations, including for communities of color and rural areas, and $210 million for the Indian Health Service to distribute vaccines directly to Tribes. The relief package also seeks to reinforce our Strategic National Stockpile with an investment of $3.25 billion for PPE and other important items in the fight against the virus.

Importantly, the law invests $3 billion in new funding for the Healthcare Provider Relief Fund, originally created by the CARES and designed to financially assist providers and systems during lockdowns and restrictions. Congress placed new mandates on the Provider Relief Fund through the new legislation, including requiring 85 percent of the monies currently unobligated in the Provider Relief Fund are allocated equitably via applications that considers financial losses and changes in operating expenses, and allows additional flexibility for providers by clarifying that eligible health care providers may transfer all or any portion of such payments among the subsidiary eligible health care providers of the parent organization.

In addition to the extra funding for our country's critical response programs, Congress also included pages of health policy provisions dealing with Medicare and Medicaid policy, surprise medical billing policy, Social Determinants of Health policy, among many other items. The below represents only a portion of the policy included in the massive package but provides an extensive look at the items contemplated by Congress.

- The package includes a permanent reduction in the floor for the high-cost medical expenses tax deduction. The threshold was temporarily lowered from 10% to 7.5% in the tax reform package signed into law in 2017 and the relief package permanently establishes the 7.5% threshold for seniors and other individuals moving forward.
- As mentioned above, the package also includes compromise language that protects patients from surprise medical bills and the establishment of a fair framework to resolve payment disputes between health care providers and health insurance companies.
    - The surprise billing fix holds patients harmless from surprise medical bills. Patients are only required to pay the in-network cost-sharing (i.e., copayment, coinsurance, and deductibles) amount for out-of-network emergency care, for certain ancillary services provided by out-of-network providers at in-network facilities, and for out-of-network care provided at in-network facilities without the patient's informed consent. Similarly, the fix holds patients harmless from surprise air ambulance medical bills. Patients are only required to pay the in-network cost-sharing amount for out-of-network air ambulances, and that cost-sharing amount is applied to their in-network deductible.
    - The fix will also allow consumers to access an external review process to determine whether surprise billing protections are applicable when there is an adverse determination by a health plan.
    - It requires health plans to provide an Advance Explanation of Benefits for scheduled services at least three days in advance to give patients transparency

into which providers are expected to provide treatment, the expected cost, and the network status of the providers
    - The policy change allows patients with complex care needs to have up to a 90-day period of continued coverage at in-network cost-sharing to allow for a transition of care to an in-network provider.
- The legislation includes several prescription drug reforms to improve transparency and reporting. The provisions are also designed to improve beneficiaries' access to coverage.
    - Requires all manufacturers of drugs covered by Medicare Part B to report average sales price (ASP) data to the Secretary of the Department of Health and Human Services, as is currently done in Medicaid.
    - Allows the Secretary of HHS to exclude from Medicare payment the costs of certain drugs that are not covered under Part B when they are self-administered.
    - Makes permanent a program that provides temporary Part D coverage to Medicare beneficiaries who are not currently enrolled in a prescription drug plan (PDP) and meet certain income-related eligibility criteria.
    - Gives doctors and Medicare beneficiaries information about how much a patient will pay for a drug while they are in the doctor's office by requiring Medicare Part D plans to use a "real-time benefit tool."
    - Gives MedPAC and the Medicaid and CHIP Payment and Access Commission access to important drug pricing and rebate data to facilitate analyses to inform Congress on drug policy.
- The package provides critical support for healthcare providers during the continued COVID crisis, including a three-month delay of the Medicare sequester and a one-time payment to help physicians adjust to Medicare fee schedule changes.
- The new law also makes important, overdue investments to simplify the Medicare enrollment process, lower beneficiary costs, and improve beneficiaries' access to affordable, comprehensive health care, including mental health telehealth treatment.
    - Simplifies and accelerates Medicare enrollment by mandating that Part B insurance begin the first of the month following an individual's enrollment during both the later months of the beneficiary's Initial Enrollment Period (IEP) and during the General Enrollment Period (GEP).
    - Allows the federal government to create a Part A and B Special Enrollment Period (SEP) for exceptional circumstances like natural disasters.
    - Extends funding for programs that help Medicare-eligible individuals and their families and caregivers determine the best way to access affordable, comprehensive health care
- The bill permanently expands access to mental health services via telehealth. To qualify, a beneficiary must have been seen in person at least once during the six-month period

prior to the first telehealth services, with additional face-to-face requirements determined by the Secretary.

- The relief package also eliminates Medicaid Disproportionate Share Hospital (DSH) cuts until fiscal year 2024.
- Addresses one trait of social determinants of health by requiring state Medicaid programs to cover non-emergency medical transportation (NEMT) to ensure that beneficiaries who lack access to regular transportation can travel to their medical appointments.
- The bill enhances case management coordination via a provision to increase the use of real-time benefit tools to lower beneficiary costs. The package requires Part D plan sponsors to implement real-time benefit tools (RTBT) that can integrate with provider electronic prescribing (e-prescribing) and electronic health record (EHR) systems.
- The package also extends protections against spousal impoverishment for partners of recipients of HCBS for three years.
- Creates a grant program to expand the use of technology-enabled collaborative learning and capacity-building models to increase access to specialized health care services in medically underserved areas and for medically underserved populations.

<u>Nutrition Provisions</u>

- Food security and nutrition access were a temporary sticking point in negotiations. Most notably, **Supplemental Nutrition Assistance Program (SNAP) benefits and eligibility are expanded** under the new package. Notable changes include:
    - **Monthly SNAP benefit level is increased by 15%** through June 30, 2021
        - In addition, the administrative process for SNAP benefit level increases will be simplified, and $100 million will be provided for state administrative costs.
    - Pandemic Unemployment Compensation will not be counted toward household income for SNAP eligibility. In other words, the new $300/pp weekly increase in **unemployment payments does not count as income**.
    - **Eligibility extended to college students** who are eligible for work study or have an expected family contribution of zero.
    - **$5 million for the USDA to expand the SNAP online purchasing program**. This will include support for farmers markets and direct-to-consumer farmers, and for mobile payment technology and electronic benefits transfer.
    - Statutory waivers for certain SNAP quality control requirements have been shortened from September 30 to June 30, 2021.
    - The HHS Secretary will be required to submit a report on SNAP use between January and June 2021.
    - Statutory waivers for certain SNAP quality control requirements have been shortened from September 30 to June 30, 2021.

- **$413 million for food distribution programs**. Between now and September 30, 2021, $400 million will be invested into the Emergency Food Assistance Program, and $13 million will be provided to the Commodity Supplemental Food Program.
- **Child-focused nutrition programs** will receive some additional support as well.
    - Emergency funding will be provided to states to **reimburse school food authorities for school meal programs**, and for child and adult care food programs. As much funding as necessary will be allocated to carry out these payments.
    - Clarification that **states can issue P-EBT benefits to children under age 6** who live in households receiving SNAP benefits and reside in an area where schools or childcare facilities are closed or operating in a reduced capacity, without the need to verify childcare enrollment at the household level.
    - State implementation of P-EBT benefits will be simplified.
    - The USDA will be establishing a **task force on food delivery in the WIC program**, in order to ensure participants have access to curbside pickup and other pandemic-safe grocery shopping methods.

Rental Assistance & Housing Security Provisions

Rental assistance and housing security measures were for a time at risk of being removed from the package but have been maintained in the final bill. Most critically, the **eviction moratorium has been extended**, albeit only for a short time, until January 31, 2021.

$25 billion in rental assistance funds will be provided through the Treasury Department in the form of grants for state and local governments.

- $400 million of this funding is designated for US territories, and $800 million for Native Americans, Alaska Natives, and Native Hawaiians. Funds will be allocated to state and local governments within 30 days of enactment.
- **Eligibility requirements for individuals receiving rental assistance** include:
    - Household income not greater than 80% of AMI
    - One or more household members who can demonstrate risk of homelessness/housing instability
    - One or more household members who qualify for unemployment benefits or experienced financial hardship due to the pandemic
- Assistance will be prioritized for households with incomes less than or equal to 50 percent of AMI, and renter households who have been unemployed for 90 days or more.

Broadband Provisions

- **Office of Minority Broadband Initiatives** (MBI)
    - The bill creates the MBI at the National Telecommunications and Information Administration (NTIA) to focus on broadband access and adoption at HBCUs.
    - The Lobbyit team worked to connect key stakeholders at the UNCF, Senate Commerce Committee, and Rep. Alma Adams' office to reach a deal to include this provision in the stimulus package.
    - The bill creates a **$285M pilot program** to award HBCUs, MSIs, and TCUs with funds to support connectivity.
    - The bill mandates that at least 20% of the funds awarded should be used to ensure that students of such institutions have internet service and devices.
- **Emergency Broadband Benefit Program**
    - Bill creates this program at the FCC which will reimburse internet service providers **up to $50** (or $75 on Tribal lands), of the cost of internet service and a subsidy for low-cost devices.
    - Households that qualify include those with children that qualify for free and reduced lunches, Pell grant recipients, recently laid off or furloughed workers, an individual who qualifies for the Lifeline program, or an individual who qualifies for a low-income or COVID-19 discount program offered by a service provider.
    - The bill provides $3.2B for the Program.
- Grant for Broadband Connectivity
    - Bill creates **a $300M broadband deployment program** to support areas lacking broadband, especially rural areas.
    - Funds would be issued to qualifying partnerships between state, local governments, and fixed broadband providers.
    - Priority to networks that would reach the most unserved consumers.

Tax Provisions

Overall, the stimulus bill included over 30 tax provisions that were a combination of temporarily extending COVID-related policies enacted in CARES and making some provisions permanent that were passed under the 2017 tax bill, the Tax Cuts and Jobs Act (TCJA).

- The permanent rate changes were made to lower excise tax rates for beer, wine, and distilled spirits passed under the Tax Cuts and Jobs Act (TCJA) of 2017, and related rules, the TCJA's reduction of the medical expense deduction floor from 10 percent to 7.5 percent of adjusted gross income. Other provisions now permanent include the benefits to volunteer firefighters and emergency medical responders, the energy-efficient commercial buildings deduction, the railroad track maintenance credit, and a change to education-related extenders which eliminates the deduction for qualified tuition and related expenses in favor of an increase in the income limitation on the credit.

- 11 provisions in total will receive a five-year extension, which include:
    - **Work Opportunity Tax Credit** – an elective general business credit to employers hiring individuals who are members of a targeted group under the Program.
    - Exclusion from gross income of mortgage forgiveness
    - Empowerment zone tax incentives
        - The provision extends, through 2025, tax benefits for certain businesses and employers operating in empowerment zones. The provision modifies the tax incentives available by terminating the increased expensing on qualifying equipment under section 179 and the deferral of capital gains tax on the sale of certain qualified assets, effective for taxable years beginning after December 31, 2020.
    - Employer credit for **paid family and medical leave**
        - The provision extends, through 2025, the employer credit for paid family and medical leave, which permits eligible employers to claim an elective general business credit based on eligible wages paid to qualifying employees with respect to family and medical leave. The credit is equal to 12.5% of eligible wages if the rate of payment is 50% of such wages and is increased by 0.25% points (but not above 25%) for each percentage point that the rate of payment exceeds 50%. The maximum amount of family and medical leave that may be considered with respect to any qualifying employee is 12 weeks per taxable year.
        - 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.
    - Exclusion for certain employer payments of student loans (a CARES Act provision)
        - The provision extends, through 2025, the allowance for employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to $5,250 annually toward an employee’s student loans, and such payment would be excluded from the employee’s income. The $5,250 cap applies to both the student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee through 2025.

- Temporary increase of the **business meal deduction** from 50% to 100% for business meal food and beverage expenses provided by a restaurant in 2021 and 2022.
- Extends the **above-the-line charitable deduction** for non-itemizers through 2021. Married couples filing jointly are eligible for a $600 deduction, others are limited to $300.
- Temporarily extends for one year the increased CARES **charitable deduction limit** for corporations and taxpayers who itemize. Corporations will now be limited to 25% from 10% and taxpayers who itemize will be limited to 100% from 50% of AGI.
- **Increases overall IRS funding** by $409M to $11.92B, representing an increase in all four IRS accounts.
  - Taxpayer services receives $44M more than in FY20. Includes $30M for VITA, $11M for Tax Counseling of the Elderly, $13M to Low Income Taxpayer Clinic Grants, and $211M to the National Taxpayer Advocate.
  - Enforcement receives an increase of $203M to $5.2B.
  - Operations receives an increase of $120M to $3.9B.
- The bill extends refundable payroll **tax credits for paid sick and family leave**, enacted in the Families First Coronavirus Response Act, through the end of March 2021.

Criminal Justice Provisions

- Fully funds the programs and activities that were authorized by the First Step Act, including **medication-assisted treatment**.
- Provides grants of $3.385B to state and local law enforcement. Funds programs including $513.5M for Violence Against Women Act programs and $526.5M for grant programs to address the opioid crisis.

Army Corps of Engineers and WRDA Provisions

- Increases funding overall by $145M to $7.8B.
- Harbor Maintenance Trust Fund projects receive an increase of $50M to $1.68B – which represents 92% of estimated revenues.
- For the first time funds the Water Infrastructure and Innovation Program at $14.2M, to guarantee almost $1B in loans.
- The bill fully incorporates the **Water Resources Development Act of 2020**, keeping Congress on its two-year reauthorization schedule for this critical piece of legislation.

State and Local Transportation Funding Provisions

- Jumpstarts and guarantees a pipeline of affordable housing projects by establishing a four percent minimum credit rate for the low-income housing tax credit.
- Drives investment to economically disadvantaged areas by providing a five-year extension of the New Markets Tax Credit at $5 billion per year.

- Helps counties rebuild by providing additional allocations of the low-income housing tax credit to states hit by natural disasters.
- About $2 billion will be set aside for FEMA to distribute to states to help families with coronavirus-related funeral expenses through the end of this month, waiving a 25 percent state match requirement.
- That includes $15 billion to help airlines maintain their payrolls, $14 billion for mass transit, $10 billion for state highways, $2 billion for airports and $1 billion for Amtrak.
- Major anti-busing action — Lawmakers eliminated a last remaining vestige of the incendiary anti-busing fights of the 1970s, including language that nixes a prohibition on the use of federal funds for transportation costs to carry out school desegregation efforts.

Rural Health Provisions

- The legislation makes several changes to Medicare to support providers and access to care in rural communities. Specifically, it:
    - Maintains access to rural emergency and other outpatient services by allowing rural hospitals that are struggling to support inpatient capacity to convert to a new Rural Emergency Hospital (REH) designation.
    - Allows Federally Qualified Health Center and Rural Health Clinic (RHC) physicians to provide hospice attending physician services for their patients if they elect the hospice benefit.
    - Supports low-population communities in maintaining access to hospital services through Extends the Frontier Community Health Integration Project and Rural Community Hospital Demonstration to continue allowing certain rural hospitals to test new ways of paying for and delivering care in rural areas.
        - Section 129 extends the Frontier Community Health Integration Project (FCHIP) demonstration by five years. The FCHIP demonstration tests new models of health care delivery for rural CAHs.
    - Increases Medicare payments to RHCs that are subject to a payment cap by phasing-in an increase in payment.
        - Section 130. Improving Rural Health Clinic payments. Section 130 implements a comprehensive Rural Health Clinic (RHC) payment reform plan. It phases-in a steady increase in the RHC statutory cap over an eight-year period, subjects all new RHCs to a uniform per-visit cap, and controls the annual rate of growth for uncapped RHCs whose payments are above the upper limit. It ensures that no RHC would see a reduction in reimbursement. RHCs with an all-inclusive rate (AIR) above the upper limit will continue to experience annual growth, but the payment amount will be constrained to the facility's prior year reimbursement rate plus the Medicare Economic Index (MEI). Specifically, the policy raises the

statutory RHC cap to $100 starting on April 1, 2021, and gradually increases the upper limit each year through 2028 until the cap reaches $190. This brings the RHC upper limit roughly in line with the Federally Qualified Health Centers (FQHC) Medicare base rate. In each subsequent calendar year, starting in 2029, the new statutorily set RHC cap reverts to an annual MEI inflationary adjustment.

- Extends a provision that ensures Medicare physician payments reflect the local costs of providing care, adjusted for differences in market conditions and business costs.