Tax Provisions for COVID-19 Relief: Subtitle G—Budget Reconciliation Legislative Recommendations Relating to Promoting Economic Security

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The 117th Congress is considering Coronavirus Disease 2019 (COVID-19)-related relief and economic stimulus legislation. On February 8, 2021, House Ways and Means Committee Chairman Richard E. Neal released nine legislative proposals to be considered under the budget reconciliation instructions.[1] This report summarizes the tax provisions in Subtitle G, "Budget Reconciliation Legislative Recommendations Relating to Promoting Economic Security."

The current proposed COVID-19 tax relief would

- provide a one-time direct payment of $1,400 per person to eligible households;
- temporarily expand the child tax credit for low- and moderate-income families, with a portion of the credit issued in 2021 before income taxes are filed;
- temporarily expand the earned income tax credit (EITC) for workers without qualifying children;
- temporarily expand the child and dependent care credit for most taxpayers and temporarily expand the exclusion for child and dependent care expenses;
- modify and extend the payroll tax credits for employer-provided paid sick and paid family leave;
- further extend the employee retention tax credit;
- temporarily enhance benefits and/or expand eligibility for the health insurance premium tax credit (PTC);
- repeal a provision that allows worldwide allocation of interest for the foreign tax credit limit, decreasing foreign tax credits in some cases; and
- provide that advances against Economic Injury Disaster Loans that are not repaid and grants under the Restaurant Revitalization Fund will be excluded from income and deductions for associated expenses will be allowed.

Current consideration of COVID-19-related tax relief follows the enactment of other laws addressing the COVID-19 crisis: (1) the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (P.L. 116-123); (2) the Families First Coronavirus Response Act (FFCRA; P.L. 116-127); (3) the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136);[2] (4) the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139); and (5) the Consolidated Appropriations Act, 2021 (P.L. 116-260).[3]

Other pandemic-related tax policy proposals were considered in the 116th Congress, but not enacted. In the House, tax relief was also considered in the Heroes Act (H.R. 8406, adopted as H.R. 925; H.R. 6800).[4] Legislation introduced in the Senate (the American Workers, Families, and Employers Assistance Act [S. 4318]; the Supporting America's Restaurant Workers Act [S.

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[1] For information on budget reconciliation, see CRS Report R44058, *The Budget Reconciliation Process: Stages of Consideration*, by Megan S. Lynch and James V. Saturno. For information on the budget resolution for 2021, which contains reconciliation directives, see CRS Report R46675, *S.Con.Res. 5: The Budget Resolution for FY2021*, by Megan S. Lynch and James V. Saturno.

[2] For more on tax provisions in the CARES Act, see CRS Report R46279, *The Coronavirus Aid, Relief, and Economic Security (CARES) Act—Tax Relief for Individuals and Businesses*, coordinated by Molly F. Sherlock.

[3] For more information on the tax provisions in this legislation, see CRS Report R46649, *The COVID-Related Tax Relief Act of 2020 and Other COVID-Related Tax Provisions in P.L. 116-260*, by Molly F. Sherlock et al.

[4] For more information on tax provisions in the Heroes Act, see CRS Report R46358, *Heroes Act: Revenue Provisions*, coordinated by Molly F. Sherlock.

4319]; and the Restoring Critical Supply Chains and Intellectual Property Act [S. 4324]) would have provided tax relief intended to alleviate the economic effects of the COVID-19 pandemic.[5]

Table 1 of this report summarizes the tax provisions in Subtitle G, "Budget Reconciliation Legislative Recommendations Relating to Promoting Economic Security," and provides links to CRS resources containing additional information. Joint Committee on Taxation (JCT) revenue estimates for these provisions are included in **Table 2**.

Additional Resources

- Joint Committee on Taxation, "Estimated Budgetary Effects Of The Revenue Provisions Of The Chairman's Amendment In The Nature Of A Substitute To The Budget Reconciliation Legislative Recommendations, Scheduled For Markup By The House Committee On Ways And Means On February 10, 2021," JCX-9-21, February 9, 2021, at https://www.jct.gov/publications/2021/jcx-9-21/.
- Joint Committee on Taxation, "Description Of The Budget Reconciliation Legislative Recommendations Relating To Prompting Economic Security," JCX-3-21, February 8, 2021, at https://www.jct.gov/publications/2021/jcx-3-21/.

[5] For more information on the Senate proposals, see CRS Report R46470, *The American Workers, Families, and Employers Assistance Act (S. 4318): Title II—Revenue Provisions and Other "HEALS Act" Tax Provisions*, coordinated by Molly F. Sherlock.

Table 1. COVID-19 Tax Relief—"Budget Reconciliation Legislative Recommendations Relating to Promoting Economic Security"

Section Title	Description	CRS Resources
Subtitle G—Promoting Economic Security		
Part 1—2021 Recovery Rebates to Individuals		
Recovery Rebates to Individuals	Would enact a third round of direct payments for individuals and households ("stimulus checks"). These payments would be structured as refundable tax credits against 2021 income taxes, but would be issued (and hence received) in 2021, as opposed to 2022 (when 2021 income tax returns will be filed). Amount and eligibility for the advanced credit would generally be based on information from 2020 income tax returns (or 2019 returns, if 2020 returns have not been filed when the advanced credit is initially issued). For households whose payment was based on 2019 income data, and who would be eligible to receive a larger payment based on 2020 data, the IRS would be directed to issue a supplementary payment (a "top up") within 90 days of the tax filing deadline or September 1, 2021, whichever date is earlier. Payments would generally be issued per household and equal the sum of $1,400 per eligible individual ($2,800 for married joint filers) and $1,400 for each eligible dependent (including older children and adult dependents). For each individual who died before January 1, 2021, the payment amount would be reduced from $1,400 to $0. The payment would phase out ratably (i.e., proportionally) between $75,000 and $100,000 for single filers, $112,500 and $150,000 for head of household filers, and $150,000 and $200,000 for married joint filers. The larger the total credit amount, the faster the payment would phase out using this method. Eligible individuals and dependents would generally need to have a social security number (SSN) to receive the payment. (Adoption taxpayer ID numbers would also be valid for dependents.) The maximum payment amount ($1,400) would be reduced to $0 for each otherwise eligible individual or qualifying dependent who does not have an SSN (i.e., they have an individual taxpayer identification number, or ITIN, instead). This provision would not apply to married members of the Armed Forces if at least one spouse had an SSN. In such cases, they would be eligible for up to $2,800. If no eligible individual had an SSN (i.e., an unmarried taxpayer does not have an SSN or neither spouse of a married joint filing couple has an SSN), they would still receive a payment for a qualifying dependent with an SSN. The advanced payment of the credit would generally be exempt from offset by Treasury prior to when the payment is issued for certain past-due debts owed by the recipient (including past-due child support). However, the amount the taxpayer would claim as a	For background, see • CRS Report R46415, *CARES Act (P.L. 116-136) Direct Payments: Resources and Experts*, coordinated by Margot L. Crandall-Hollick. • CRS Insight IN11576, *COVID-19 and Direct Payments to Individuals: Comparison of the Second Round of "Stimulus Checks" in P.L. 116-260 to the First Round in the CARES Act (P.L. 116-136)*, by Margot L. Crandall-Hollick. • CRS Insight IN11575, *COVID-19 and Direct Payments to Individuals: Frequently Asked Questions (FAQs) About the Second Round of "Stimulus Checks" in P.L. 116-260*, by Margot L. Crandall-Hollick. • CRS Insight IN11580, *COVID-19 and Direct Payments: Summary of the CASH Act (H.R. 9051, 116th Congress) Modifications to "Stimulus Checks"*, by Margot L. Crandall-Hollick.

Section Title	Description	CRS Resources
	credit on their 2021 tax returns would generally be subject to offset. For eligible individuals who did not file a 2020 or 2019 income tax return, the IRS would be given broad authority to make payments based on information available to the Treasury. If a direct payment was made to an individual or organization serving as the taxpayer's representative payee ("payee") or fiduciary for a federal benefit program, the proposal explicitly states that it shall be used only for the benefit of the entitled beneficiary. Would direct Treasury to make payments to the U.S. territories (mirror code and non-mirror code) equal to the aggregate amount issued to their residents as a result of this provision. (Many territorial residents will receive this benefit under a version of the provision administered via the territorial government, rather than the IRS.) These payments would not be taxable. In addition, like other tax credits, these payments would not count as income or resources for a 12-month period in determining eligibility for, or the amount of assistance provided by, any federally funded public benefit program. If a taxpayer received a larger advanced credit in 2021 than they were eligible for on their 2021 income tax return, they generally would not be required to pay it back. If an individual received an advanced payment less than what they were eligible for on their 2021 income tax return, they could claim the difference on that return (filed in 2021).	
Part 2—Child Tax Credit		
Child Tax Credit Improvements for 2021	For 2021, would temporarily increase the amount of the child tax credit for low- and moderate-income taxpayers to up to $3,600 per child for a young child and up to $3,000 for older children by modifying several provisions of the existing credit. First, the bill would eliminate the earned-income-based phase-in of the refundable portion of the child credit (often referred to as the "additional child credit" or ACTC) and eliminate the maximum amount of the ACTC ($1,400). Hence, the child credit would be "fully refundable" and available to otherwise eligible taxpayers with no earned income. Second, the bill would increase the maximum age for an eligible child to 17. Third, the bill would increase the maximum amount of the credit from $2,000 per child to $3,600 per child for a young child (0-5 years old) and $3,000 per child for an older child (6-17 years old). This increase in the maximum child credit of $1,600 per child for young children and $1,000 per child for older children would gradually phase out at a rate of 5% as income exceeded specified thresholds until the credit amount equaled the current-law maximum of $2,000 per child. These thresholds would be $75,000 for single filers, $112,500 for head of household filers, and $150,000 for married	For background, see • CRS Report R41873, *The Child Tax Credit: How It Works and Who Receives It*, by Margot L. Crandall-Hollick. • CRS Report R46502, *The Child Tax Credit: Selected Legislative Proposals in the 116th Congress*, by Margot L. Crandall-Hollick.

Section Title	Description	CRS Resources
	joint filers. (The actual income level at which the credit phased down to $2,000 per child would depend on the number and age of qualifying children.) The credit would then remain at its current-law level and phase out when income exceeded the current-law thresholds of $200,000 ($400,000 for married joint filers).[a] Would direct the Treasury to issue half of the expected 2021 credit in monthly payments beginning July 1, 2021 (the Treasury could issue the payments less frequently for the last six months of 2021 if they deemed monthly payments were not feasible). The remaining half of the total 2021 credit would be claimed on a 2021 income tax return filed in early 2022. The amount of the payments advanced in 2021 would be estimated based on 2020 income tax data, or if unavailable, 2019 income tax data. The advanced child credit payments would reduce the child credit received with a 2021 return. In cases where a taxpayer receives more in advanced payments than they are eligible for (whether due to changes in income, or changes in the number of eligible children who live with the taxpayer between 2021 and the year that provides data on which the advanced credit is based [2020 or 2019]), taxpayers would generally need to repay total aggregate advanced payments, although repayment obligations would be reduced for taxpayers depending on their 2021 income. Specifically, taxpayers with income below $40,000 for single filers, $50,000 for head of household filers, and $60,000 for joint filers would not need to repay up to $2,000 per qualifying child in advanced credit overpayments (the $2,000 amount is referred to as the "safe harbor amount"). Since the maximum amount of the credit that can be advanced would be less than $2,000 per child, these taxpayers would effectively be exempt from repaying any overpayments of the advanced credit.[b] Taxpayers with income above these thresholds but below $80,000 for single filers, $100,000 for head of household filers, and $120,000 for married joint filers would gradually have the safe harbor amount reduced to $0 per qualifying child. Hence, taxpayers with income over $80,000 for single filers, $100,000 for head of household filers, and $120,000 for married joint filers in 2021 would need to repay the entire amount of the overpayment. The bill would create an online portal to allow taxpayers the options to opt out of receiving advanced payments and to provide information regarding changes in income, marital status, and number of qualifying children in order to modify the advanced credit amounts. Advanced payments would not be subject to offset prior to when the payment is issued for certain past-due debts owed by the recipient. However, the amount the taxpayer claims as a credit on their 2021 tax returns would generally be subject to offset. Advanced payments would generally not be available to eligible residents of U.S. territories.	

Section Title	Description	CRS Resources
Application of the Child Tax Credit in Possessions	Would effectively expand child credit eligibility to residents of U.S. territories permanently. For "mirror code" territories, the Treasury would make payments equal to the territory's costs of the child tax credit. For American Samoa (a non-mirror code territory), the Treasury would make payments equal to the territory's costs of the child tax credit as if it were a mirror code territory. In contrast, eligible residents of Puerto Rico (also a non-mirror code territory) would file for the credit directly with the IRS.	For background, see • CRS Report R44651, *Tax Policy and U.S. Territories: Overview and Issues for Congress*, by Sean Lowry.
Part 3—Earned Income Tax Credit		
Strengthening the Earned Income Tax Credit for Individuals with no Qualifying Children	For 2021, would temporarily expand both eligibility for and the amount of the earned income tax credit (EITC) for taxpayers without qualifying children by modifying the eligibility age and credit formula. Regarding eligibility age, would expand eligibility for the EITC for individuals with no qualifying children—sometimes referred to as the "childless EITC"—by eliminating the maximum eligibility age limit (currently, otherwise-eligible workers aged 65 or older are ineligible for the credit) and by reducing the minimum eligibility age from 25 to 19. In other words, this change would allow eligible taxpayers ages 19 to 24 to claim the childless EITC, except for students (whose minimum eligibility age would be 24). Qualified foster youth and homeless youth aged 18-24 would be allowed to claim the credit even if they were students.[c] Regarding the credit amount, would temporarily increase the childless EITC by increasing the earned income amount (the minimum income necessary to receive the maximum credit amount) and phaseout threshold amount (the maximum income level at which taxpayers receive the maximum credit amount before it begins to phase out) to $9,820 and $11,610, respectively, while also doubling the phase-in and phaseout rates from 7.65% to 15.3%. The maximum childless EITC would increase from $543 to $1,502 in 2021.	For background, see • CRS Report R43805, *The Earned Income Tax Credit (EITC): How It Works and Who Receives It*, by Margot L. Crandall-Hollick, Gene Falk, and Conor F. Boyle.
Taxpayer Eligible for Childless Earned Income Credit in Case of Qualifying Children Who Fail to Meet Certain Identification Requirements	Would permanently allow taxpayers who currently cannot claim the childless EITC because all of their qualifying children do not have SSNs to be eligible to claim the childless EITC.	
Credit Allowed in Case of Certain Separated Spouses	Would permanently allow married taxpayers who file their tax returns as married filing separately to claim the EITC if they live with a child for whom they can claim the EITC for more than half the year and either (1) do not have the same principal place of abode as their spouse for the last six months of the year, or (2) have a decree, instrument, or agreement (i.e., other than a divorce decree) and do not live with their spouse at the end of the year.	

Section Title	Description	CRS Resources
Modification of Disqualified Investment Income Test	Would permanently modify the disqualified investment income test. Under current law, taxpayers with investment income over a certain threshold—$3,650 in 2020 and 2021—are ineligible for the EITC. Disqualified investment income is defined as interest income (including tax-exempt interest), dividends, net rent, net capital gains, and net passive income. It also includes royalties from sources other than the filer's ordinary business activities. This provision would permanently raise this amount to $10,000 and annually adjust for inflation beginning in 2022.	
Application of Earned Income Tax Credit in Possession of the United States	Would permanently provide authority to make payments to Puerto Rico, American Samoa, and mirror-code territories for amounts they pay out in the EITC. For Puerto Rico and American Samoa, such payments would be contingent upon increasing the amount of their EITC or enacting an EITC, respectively.	
Temporary Special Rule for Determining Earned Income for Purposes of Earned Income Tax Credit	For the purposes of calculating their EITC on their 2021 income tax return, would allow taxpayers to substitute their 2019 earned income for their 2021 earned income if their earned income at the end of 2021 was less than their 2019 earned income.	
Part 4—Dependent Care Assistance		
Refundability and Enhancement of Child and Dependent Care Tax Credit	For 2021, would temporarily expand the child and dependent care credit by making the credit refundable and making it larger for most workers. The CDCTC credit amount is a product of the amount of qualifying expenses (which is subject to a cap) and the credit rate. The bill would increase the cap on qualifying expenses from $3,000 for one child and $6,000 for two or more children to $8,000 and $16,000, respectively. The bill would also increase the credit rate for workers with $185,000 or less of income (the credit would remain the same as under current law for those with income over $185,000 up to $400,000 [i.e., 20%], and be reduced from current law for those with over $400,000 of income). Specifically, for those with less than $125,000 of income, the credit rate would increase to 50% (from 35%) of expenses. This 50% credit rate would gradually phase down to 20% until taxpayers had $185,000 of income. For those with more than $185,000 of income up to $400,000, the credit rate would then remain at 20%, gradually falling to zero when income exceeds $440,000. As a result, those with income over $440,000 would not be eligible for the credit. By making the credit refundable, the bill would effectively expand eligibility to lower-income taxpayers. Under current law, the CDCTC is a nonrefundable credit, meaning the value of the credit cannot exceed a taxpayer's income tax liability. As a result, those with little or no income tax liability, including many low-income taxpayers, receive little or no benefit from the current credit.	For background, see • CRS Report R44993, *Child and Dependent Care Tax Benefits: How They Work and Who Receives Them*, by Margot L. Crandall-Hollick.

Section Title	Description	CRS Resources
	In combination, these changes would increase the maximum amount of the CDCTC from $2,100 to $8,000, based on expenses and income.	
Increase in Exclusion for Employer-Provided Dependent Care Assistance	For 2021, would temporarily increase the maximum amount of qualifying child care expenses that eligible taxpayers could exclude from their income from $5,000 to $10,500.	
Part 5—Credits for Paid Sick and Family Leave		
Extension of Credits	Would extend the Families First Coronavirus Response Act (FFCRA; P.L. 116-127) payroll tax credits for paid sick and paid family leave, including sick and family leave tax credits for self-employed individuals, from March 31, 2021, through September 30, 2021.	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.
Increase in Limitations on Credits for Paid Family Leave	The tax credit for family leave wages is limited to $200 per day, and $10,000 total per employee (50 days for self-employed individuals). This provision would increase this limit on the tax credit for paid family leave wages, allowing the credit on up to $12,000 in paid family leave wages (60 days for self-employed individuals).	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.
Expansion of Leave to Which Paid Family Leave Credits Applies	Would expand the definition of qualifying paid family leave to allow family leave payroll tax credits to be claimed for all qualifying uses of paid sick time, including for leave provided if the employee is subject to a quarantine or isolation order due to COVID-19 or is caring for someone in a similar situation.	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.
Paid Leave Credits Allowed for Leave for COVID Vaccination	Would expand the paid sick and paid family leave credits to allow credits for leave taken to obtain immunization related to COVID-19 or recover from any injury, disability, illness, or condition related to COVID-19 immunization.	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.
Application of Nondiscrimination Rules	Would add a nondiscrimination rule to the paid leave payroll tax credits, providing employers could not claim the credits if paid leave provided to employees discriminates in favor of highly compensated employees or full-time employees, or discriminates on the basis of employment tenure with the employer.	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.
Reset of Limitation on Paid Sick Leave	FFCRA paid sick leave is limited to 10 days per employee. This provision would reset the 10-day limit, starting April 1, 2021, for employers claiming the credit for paid sick leave provided to their employees. The 10-day limit would also be modified to reset for self-employed individuals.	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.

Section Title	Description	CRS Resources
Credits Allowed Against Employer Hospital Insurance Tax	The paid sick and paid family leave tax credits are currently claimed against the Old-Age, Survivors and Disability Insurance (OASDI) tax, or the equivalent amount of the Railroad Retirement Tax Act (RRTA) tax. This provision would restructure the paid sick and family leave payroll tax credits to be claimed against the employer's share of the hospital insurance (HI) payroll tax, after March 31, 2021. The employer's share is 1.45% of wages paid to employees. This credit would not affect amounts transferred to the Federal Hospital Insurance Trust Fund.	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.
Application of Credits to Certain Government Employers	Government employers, including state and local government employers, are not allowed to claim paid leave payroll tax credits. This provision would provide that 501(c)(1) organizations and 501(a) organizations could claim the tax credits, making certain state and local governments, as well as 501(c)(1) federal government instrumentalities, tax-credit eligible.	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.
Gross Up of Credit in Lieu of Exclusion from Tax	Provision provides that paid sick and paid family leave payroll tax credits can be increased by the employer's share of OASDI and HI payroll taxes (and equivalent RRTA tax) for the paid leave wages. Denial of double benefit applies, and gross income of the employer is increased by the amount of the credit provided by this section.	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.
Effective Date	The provisions related to payroll tax credits for leave provided by employers apply to leave taken after March 31, 2021. For self-employed individuals, the changes are retroactive, and apply after December 31, 2020.	For more information, see • CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.
Part 6—Employee Retention Credit		
Extension of Employee Retention Credit	Through June 30, 2021, the employee retention and rehiring tax credit is 70% of qualified wages. The refundable payroll credit can be computed on up to $10,000 in qualified wages paid to an eligible employee per calendar quarter. Thus, the maximum credit amount for 2021 is $14,000 (70% of up to $20,000 in qualified wages paid over the first two quarters). This provision would extend the employee retention credit through December 31, 2021. The credit would be restructured to be claimed against the employer's share of the hospital insurance (HI) payroll tax (as opposed to the OSADI and equivalent amount of RRTA tax).	For more information, see • CRS In Focus IF11721, *The Employee Retention and Employee Retention and Rehiring Tax Credits*, by Molly F. Sherlock.
Part 7—Premium Tax Credit		
Improving Affordability by Expanding Premium Assistance for Consumers	For 2021 and 2022, would temporarily expand eligibility for and the amount of the premium tax credit (PTC) by modifying the income eligibility criteria and credit formula. Regarding income, would temporarily expand eligibility by eliminating the current-law phaseout for households	For background, see • CRS Report R44425, *Health Insurance Premium Tax Credits and Cost-Sharing Subsidies*, by Bernadette Fernandez.

Section Title	Description	CRS Resources
	with annual incomes above 400% of the federal poverty level (FPL). Regarding the formula, would temporarily increase the credit amount by reducing the percentage of annual income that eligible households would be required to contribute toward the premium. The temporary percentages would range from 0.0% to 8.5% of household income, with higher-income groups subject to the larger percentages, as specified.	
Temporary Modification of Limitations on Reconciliation of Tax Credits for Coverage Under a Qualified Health Plan with Advance Payments of Such Credit	For 2020, would temporarily provide tax relief to individuals who would be subject to the current-law requirement to pay back PTC amounts that were provided in excess. Would temporarily suspend the recapture of excess credit amounts under the current tax reconciliation process.	
Application of Premium Tax Credit in Case of Individuals Receiving Unemployment Compensation During 2021	For 2021, would temporarily expand eligibility for and the amount of the PTC for certain individuals who receive unemployment compensation (UC). Would temporarily deem individuals who receive UC for any week in calendar year 2021 to have met the PTC income eligibility criteria. Would temporarily disregard any household income above 133% FPL.	For background, see • CRS Report R45478, *Unemployment Insurance: Legislative Issues in the 116th Congress*, by Julie M. Whittaker and Katelin P. Isaacs.
Part 8—Miscellaneous Provisions		
Repeal of Election to Allocation Interest, Etc. on Worldwide Basis	U.S. firms are eligible for foreign tax credits up to the amount of U.S. tax paid on foreign-source income. To impose this limit, U.S. and foreign-source income must be determined. Certain deductions are allocated between U.S. and foreign sources, including interest. Until 2021, firms allocated interest excluding that paid by foreign firms (called "waters edge" allocation). Under current law, beginning in 2021, firms can elect to include interest paid by related foreign firms. This treatment is called worldwide allocation. It is beneficial for some firms because some of the interest paid for foreign firms is allocated to U.S. sources, increasing foreign-source income, increasing the limit on the foreign tax credit and, thus, increasing foreign tax credits that reduce tax liability. A provision was adopted in 2004 to move to worldwide allocation, but it has been delayed by other legislation and is scheduled to begin in 2021. This provision would repeal the election to move to worldwide allocation.	For background, see • CRS Report RL34494, *The Foreign Tax Credit's Interest Allocation Rules*, by Jane G. Gravelle and Donald J. Marples.
Tax Treatment of Targeted Economic Injury Disaster Loan Advances	Under normal tax rules, a forgiven debt is generally treated as taxable income to the borrower. Prior legislation has allowed forgiven loans for certain programs (such as those provided by the Paycheck Protection Program, or PPP, and certain other small business loans) to be excluded from income. Following an IRS ruling that associated expenses would not be deductible, legislation specified that associated expenses would be deductible. This provision would extend this	For background, see • CRS Insight IN11378, *IRS Guidance Says No Deduction Is Allowed for Business Expenses Paid with Forgiven PPP Loans*, by Sean Lowry and Jane G. Gravelle.

Section Title	Description	CRS Resources
	treatment (exclusion from income and deduction of expenses) to additional Economic Injury Disaster Loan (EIDL) advances on loans that are not required to be repaid.	• CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry. • CRS Insight IN11370, *SBA EIDL and Emergency EIDL Grants for COVID-19*, by Bruce R. Lindsay.
Tax Treatment of Restaurant Revitalization Grants	Under normal tax rules, a forgiven debt is treated as taxable income to the borrower. Prior legislation has allowed forgiven loans for certain programs (such as those provided by the Paycheck Protection Program, or PPP, and certain other small business loans) to be excluded from income. Following an IRS ruling that associated expenses would not be deductible, legislation specified that associated expenses would be deductible. This provision would extend this treatment (exclusion from income and deduction of expenses) to additional grants made from the new Restaurant Revitalization Fund.	For background, see • CRS Insight IN11378, *IRS Guidance Says No Deduction Is Allowed for Business Expenses Paid with Forgiven PPP Loans*, by Sean Lowry and Jane G. Gravelle. • CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry.

Source: Legislative proposals to comply with the reconciliation directive included in Section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2021, S.Con.Res. 5. Subtitle G. Budget Reconciliation Legislative Recommendations Relating to Promoting Economic Security.

a. For example, if a married couple had three children under 6 years old, the maximum credit they would be eligible for would be $10,800 ($3,600x3) if they had income under $150,000. For taxpayers with income over $150,000, the additional $4,800 of the credit ($1,600x3) would be reduced at a rate of 5%. At $246,000 of income, the credit would be $6,000 ($2,000 x 3), the current-law amount. The credit would remain at this amount until the taxpayer's income reached the current-law thresholds of $400,000. At that point, the credit would phase out under the provisions of current law (5% phaseout rate).

b. The legislative text indicates that taxpayers will not need to repay $2,000 per child in advanced credit overpayments. Because the maximum amount of the child credit that can be received in advance is half the total credit amount, the maximum in aggregate payments per child is $1,500 per older child and $1,800 per young child. Because these amounts are less than the $2,000 safe harbor amount, taxpayers with income below these thresholds will effectively not be required to repay any overpayments of the advanced credit.

c. The legislation includes as part of the definition of a student someone carrying half or more of the normal full-time workload for their program of study, as defined under IRC §25A(b)(3).

Table 2. Estimated Cost of Subtitle G Revenue Provisions of the Budget Reconciliation Legislative Recommendations

Fiscal Years; Millions of Dollars

Provision	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021-2031
Part 1—2021 Recovery Rebates to Individuals												
Recovery Rebates to Individuals	404,937	17,400	-	-	-	-	-	-	-	-	-	422,337
Part 2—Child Tax Credit												
Child Tax Credit: Improvements for 2021 and Application of the Child Tax Credit in Possessions	25,826	79,248	710	721	725	721	307	311	316	320	323	109,528
Part 3—Earned Income Tax Credit												
Strengthening the Earned Income Tax Credit for Individuals with no Qualifying Children	521	11,361	-	-	-	-	-	-	-	-	-	11,882
Taxpayer Eligible for Childless Earned Income Credit in Case of Qualifying Children Who Fail to Meet Certain Identification Requirements	(i)	12	2	1	1	1	2	2	2	2	2	26
Credit Allowed in Case of Certain Separated Spouses	1	20	21	22	23	25	25	27	28	30	31	252
Modification of Disqualified Investment Income Test	102	652	198	200	225	229	238	233	231	240	251	2,798
Application of Earned Income Tax Credit in Possession of the United States	-	738	746	764	781	798	814	831	849	867	858	8,074
Temporary Special Rule for Determining Earned Income for Purposes of Earned Income Tax Credit	-	3,185	-	-	-	-	-	-	-	-	-	3,185
Total of Earned Income Tax Credit	*624*	*15,968*	*967*	*987*	*1,030*	*1,053*	*1,079*	*1,093*	*1,110*	*1,1390*	*1,169*	*26,217*

Provision	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021-2031
Part 4—Dependent Care Assistance												
Refundability and Enhancement of Child and Dependent Care Tax Credit	2,127	5,837	-	-	-	-	-	-	-	-	-	7,964
Increase in Exclusion for Employer-Provided Dependent Care Assistance	78	39	-	-	-	-	-	-	-	-	-	117
Total of Dependent Care Assistance	*2,205*	*5,876*	-	-	-	-	-	-	-	-	-	*8,081*
Part 5—Credits for Paid Sick and Family Leave												
Extension and Modification of Credits for Paid Sick and Family Leave	4,054	1,154	-	-	-	-	-	-	-	-	-	5,208
Part 6—Employee Retention Credit												
Extension and Modification of the Employee Retention Credit	2,791	5,993	-	-	-	-	-	-	-	-	-	8,784
Part 7—Premium Tax Credit												
Improving Affordability by Expanding Premium Assistance for Consumers	4,137	22,234	7,964	536	-23	-	-	-	-	-	-	34,847
Temporary Modification of Limitations on Reconciliation of Tax Credits for Coverage Under a Qualified Health Plan with Advance Payments of Such Credit	4,696	1,565	-	-	-	-	-	-	-	-	-	6,261
Application of Premium Tax Credit in Case of Individuals Receiving Unemployment Compensation During 2021	2,624	1,660	232	-	-	-	-	-	-	-	-	4,516
Total of the Premium Tax Credit	*11,457*	*25,459*	*8,196*	*536*	*-23*	-	-	-	-	-	-	*45,624*

Provision	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021-2031
Part 8—Miscellaneous Provisions												
Repeal of Election to Allocation Interest, Etc. on Worldwide Basis	-335	-1,277	-2,023	-2,284	-2,383	-2,334	-2,358	-2,385	-2,343	-2,283	-2,327	-22,331
Tax Treatment of Targeted EIDL Advances												*Estimate Not Available*[a]
Tax Treatment of Restaurant Revitalization Grants												*Estimate Not Available*[a]
Total of Miscellaneous Provisions	*-335*	*-1,277*	*-2,023*	*-2,284*	*-2,383*	*-2,334*	*-2,358*	*-2,385*	*-2,343*	*-2,283*	*-2,327*	*-22,331*

Source: Joint Committee on Taxation, *Estimated Budgetary Effects Of The Revenue Provisions Of The Chairman's Amendment In The Nature Of A Substitute To The Budget Reconciliation Legislative Recommendations, Scheduled For Markup By The House Committee On Ways And Means On February 10, 2021*, JCX-9-21, February 9, 2021, at https://www.jct.gov/publications/2021/jcx-9-21/.

Notes: A negative number indicates the provision is estimated to result in a revenue gain. An (i) indicates a cost of less than $500,000.

a. The Joint Committee on Taxation (JCT) revenue estimate indicates that the cost estimate for this provision will be provided by the Congressional Budget Office. At the time of publication, this estimate was not yet publicly available.

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