

Deloitte Tax looks at COVID-related changes affecting compensation and benefits, Qualified Opportunity Funds

New alerts from Deloitte Tax LLP examine pandemic-related legislative changes and IRS guidance with implications for compensation and benefits plans, the employee retention tax credit, and investments in Qualified Opportunity Funds.

Compensation and benefits

The \$1.9 trillion American Rescue Plan, which President Biden signed into law on March 11, includes several provisions that affect employer tax deductions and credits and funding of pension plans, such as:

[URL: https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-117HR1319EAS.pdf](https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-117HR1319EAS.pdf)

- An expanded definition of “covered employee” under Internal Revenue Code section 162(m);
- Enhancements to the employee retention tax credit and extension of the credit to qualified wages paid through December 31, 2021;
- Modifications to the payroll tax credit for qualified wages paid to employees due to sick leave or expanded family and medical leave for reasons related to COVID-19 and extension of the credit by two calendar quarters through September 30, 2021;
- An increase in the individual tax exclusion for employer-provided dependent care assistance;
- Funding relief for single employer pension plans; and
- Funding relief and funding assistance for certain multiemployer pension plans.

An alert from Deloitte Tax looks at these provisions and discusses their potential implications for affected taxpayers.

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210312_5_suppA.pdf](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210312_5_suppA.pdf)

Employee retention tax credit

Also available from Deloitte Tax is a summary that looks at provisions related to the employee retention tax credit in the American Rescue Plan and recent guidance (Notice 2021-20) addressing retroactive changes to the credit that were included in the Consolidated Appropriations Act, 2021, the omnibus tax-and-spending legislation that was signed into law last December 27.

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210312_5_suppB.pdf](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210312_5_suppB.pdf)

[URL: https://www.irs.gov/pub/irs-drop/n-21-20.pdf](https://www.irs.gov/pub/irs-drop/n-21-20.pdf)

Deloitte Tax will be releasing a tax alert that will discuss the potential implications of the various updates and additions provided by Notice 2021-20 in more detail.

Qualified Opportunity Funds

The IRS recently issued Notice 2021-10, which extends certain pandemic-related penalty relief originally provided to Qualified Opportunity Funds (QOFs) and their investors under previous guidance that expired last year.

URL: <https://www.taxnotes.com/research/federal/irs-guidance/notices/qualified-opportunity-funds-get-additional-covid-19-relief/2l6mh>

QOFs are a component of the Qualified Opportunity Zone (QOZ) Program, which was added to the federal income tax code under 2017's Tax Cuts and Jobs Act (P.L. 115-97) to authorize the designation of economically distressed communities as QOZs, where new investments, under certain conditions, may be eligible for preferential tax treatment. Electing taxpayers that invest in QOZs through a QOF can defer and potentially reduce tax on prior capital gains rolled over into such a fund, as well as permanently eliminate tax on future gain arising from appreciated QOF investments held for at least 10 years.

In response to the COVID-19 pandemic, the IRS last year released Notice 2020-39, which provided temporary relief from complying with certain time-sensitive requirements for tax-advantaged investments made by eligible taxpayers through a QOF. Notice 2021-10 extends the relief originally provided under the earlier guidance and makes additional enhancements to the QOZ Program.

URL: <https://www.taxnotes.com/research/federal/irs-guidance/notices/irs-provides-covid-19-relief-for-opportunity-funds%2c-investors/2clfc>

A tax alert and table from Deloitte Tax provide an overview of the guidance.

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210312_5_suppC.pdf

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210312_5_suppD.pdf

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