

DC Tax Flash: Senate to Act This Week on Virus Relief Bill

Tax Alert

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Senate Majority Leader Chuck Schumer (D-NY) is planning to start work this week on [virus relief reconciliation legislation](#) (H.R. 1319) that passed the House [219-212](#) over the weekend. However, Senate Democratic leaders will start with their own version of the legislation, with modifications to achieve two mandatory goals: compliance with [special budget rules](#) for reconciliation bills; and support from all 50 Democratic Senators. No Republican support is anticipated.

Changes to the House-passed bill under discussion include modifications to the bill's unemployment benefit federal bonus, as well as state and local funding amounts. Also, a provision to raise the minimum wage will be stripped out after the Senate Parliamentarian ruled it would violate budget rules (and therefore be subject to a 60-vote majority for inclusion).

A work-around proposal to leverage wage increases with a corporate payroll tax has reportedly been shelved—at least for now. Finance Committee Chairman [Ron Wyden \(D-OR\)](#) said his proposal would impose a five percent tax "on a big corporations' total payroll if any workers earn less than a certain amount." The tax rate would increase over time. Accompanying safeguards would guard against out-sourcing labor costs. The proposal also included a tax credit "equal to 25 percent of wages, up to \$10,000 per year per employer, to small businesses that pay their workers higher wages."

Senate Budget Committee Chairman [Bernie Sanders \(I-VT\)](#) said [yesterday](#) he will offer an amendment to add back the House-approved minimum wage increase. Such an amendment would require 60 votes to waive Senate budget rules for adoption. With the Senate evenly divided, that level of support is out of reach.

When it is brought to the floor, the Senate reconciliation bill is expected to retain the [House-passed tax provisions](#), which include provisions to provide \$1,400 in economic impact payments, expand credits for children and child care, and expand the Earned Income Tax Credit.

The tax policy changes directed at businesses include provisions that would:

- Extend and expand credits for paid sick and family leave;
- Increase the exclusion for employer-provided dependent care assistance for 2021 from \$5,000 to \$10,500 (and from \$2,500 to \$5,250 for a married person filing separately);
- Extend and expand the Employee Retention Credit.
- Repeal the election to allocate interest on a worldwide basis, which the Joint Committee on Taxation (JCT) says would raise \$22.3 billion; and
- Lower to \$600 the reporting threshold for certain third party network transactions under [Internal Revenue Code section 6050W\(e\)](#), which JCT says would raise \$8.4 billion.

The House bill also includes several [pension-related provisions](#), including funding relief for multiemployer plans and a prospective cost of living freeze on certain qualified retirement plan limitations that would otherwise be indexed for inflation. Starting in 2030, the annual contribution limit for defined contribution plans, the annual defined benefit plan limit, and the [section 401\(a\)\(17\)](#) annual compensation limit would each be frozen in place at that time.

When the Senate considers its reconciliation bill, special rules will limit debate to 20 hours. The number of potential amendments is

not limited, but they must pass muster with the Parliamentarian to be eligible for inclusion via a simple majority vote. Likewise, the bill itself needs only a simple majority to pass. Vice President Harris will break any tie votes.

Congressional Democrats are aiming to get a final reconciliation bill to the president by March 14, 2021, the date federal unemployment benefits will lapse.

A House Budget Committee report (H. Rept. 117-7) to accompany H.R. 1319 that includes explanatory language, legislative history, budget scoring, and other supplemental information is [posted here](#).

JCT has issued an updated estimate for the revenue provisions in the House-passed reconciliation bill, including the recently added reporting threshold change under section 6050W(e). This revenue score is [posted here](#).

A stand-alone JCT description of the reporting threshold provision is [posted here](#).

Miller & Chevalier Coronavirus Task Force

The outbreak of COVID-19 is creating significant business and legal challenges for companies throughout the world. In response to client demand, the firm has formed an interdisciplinary task force to help businesses navigate these issues.

COVID-19 Resource Library

We also maintain a resource library of [legislative responses](#) and [regulatory guidance](#) related to COVID-19.

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