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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Guide to Compensation and Benefits

Twenty-second Edition (March 2021)

Highlights of this Edition

The following are some of the important new features of the 2021 Edition of *PPC's Guide to Compensation and Benefits*:

- **COVID-19 Payroll Credits Extended.** The Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021 extended the availability of payroll tax credits created as measures to provide employers and employees with financial relief during the COVID-19 pandemic. This edition of the *Guide* has been updated to include information on the FFCRA paid sick leave and family leave credits and the employee retention credit as they apply to calendar quarters during 2021.
- **Cafeteria Plan Relief Provisions.** Numerous relief provisions have been made available for cafeteria plans, including benefits provided under health FSAs and dependent care FSAs. The various provisions applicable for 2020 and 2021 plan years have been conveniently listed and incorporated into the applicable discussions.
- **COBRA Premium Subsidy.** As part of the COVID-19 relief provided to the unemployed and under-employed, employers must provide a COBRA premium subsidy to certain employees. The premium subsidy is reimbursable to employers in the form of a payroll tax credit.
- **Qualified Transportation Benefit Rules.** Qualified transportation benefits like employee parking and transit passes are a popular benefit among employees, particularly those in urban areas. This edition has been updated for the final regulations on qualified transportation benefits, including the options available to calculate the nondeductible portion of employee parking benefits.
- **Food and Beverage Expenses.** In addition to traditional relief provisions, the CAA also provides a temporary rule allowing for a 100% business expense deduction for food and beverage expenses when they are provided by a restaurant during 2021 and 2022. The *Guide* has been updated to account for this change and for final regulations released on food and beverage expenses.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 3 Standard Items of Compensation	1. Numerous COVID-19 relief provisions have been extended to apply during 2021, plus several new relief measures have been made available. This section has been updated to provide information on the compensation and benefit related provisions that are effective during 2021.	Section 301
	2. The IRS released final regulations for the deduction limit on compensation paid to certain employees under IRC Sec. 162(m). The discussion on this rule has been updated for the final regulations.	Section 305

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 4 Executive Compensation Plans	1. A discussion on the advantages and disadvantages of offering nonqualified deferred compensation plans has been added in this edition.	Section 401
	2. This update includes a discussion on how the COVID-19 pandemic may affect deferred compensation plans.	Section 401
	3. Guidance from the IRS clarifying that the income amount taken into account when stock options are exercised is determined as of the exercise date has been added this update.	Sections 409, 410, and 412
CHAPTER 5 Section 132 Fringe Benefits	1. A discussion on when an employer is allowed to deduct the costs of transportation to and from an employee's place of residence and principal workplace due to unsafe conditions has been added in this section.	Section 514
	2. Due to the COVID-19 pandemic, many employees have not been able to use the full amount of qualified transportation benefits excluded from their compensation. This edition includes information on how unused benefits in 2020 and 2021 can be handled.	Section 514
	3. This update includes guidance from final regulations on qualified transportation fringe benefits issued in December 2020 regarding an employer's income tax deduction allowed for qualified parking and commuting transportation benefits.	Sections 514, 515, and 516
CHAPTER 6 Employer-provided Transportation	1. This edition includes a discussion on the relief measures provided by the IRS during 2020 due to the COVID-19 pandemic for employers using the vehicle lease valuation rule.	Section 602
	2. A discussion has been added in this edition on determining an employer's income tax deduction for employee commuting costs that are allowable because of unsafe conditions.	Section 605
	3. Discussions on limits for an employer's deduction for personal flights and entertainment flights taken by nonspecified individuals on employer-provided aircraft have been added in this section.	Section 607
CHAPTER 8 Employee Expense Reimbursement Plans	1. An alert has been added on the law change allowing 100% of the costs of food and beverages provided by a restaurant to be deductible in 2021 and 2022.	Section 802
CHAPTER 9 Employee Travel, Meals, and Entertainment as Compensation	1. A discussion has been added in this section clarifying the definition of the term <i>business associate</i> for purposes of determining if travel and meal expenses are deductible by the employer.	Section 904

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	2. For calendar years 2021 and 2022, employers are allowed to deduct 100% of certain food and beverage expenses. Information on this change has been added in this update.	Section 907
	3. Guidance on how meal expense reimbursements paid under a nonaccountable plan are handled is included in this edition.	Section 907
	4. This update includes guidance from final regulations regarding how an employer should handle entertainment expense reimbursements.	Section 908
	5. The discussions on providing meals and lodging for the convenience of the employer have been enhanced and moved to two sections in this edition.	Sections 909 and 910
CHAPTER 11 Regulatory Issues for Welfare and Fringe Benefit Plans	1. Law change alerts have been added regarding temporary relief measures applicable for timely reporting of ERISA disclosures and notices for plan years ending in 2020 and 2021.	Section 1113
	2. This edition includes a list of information required to be provided in a plan’s summary plan description.	Section 1113
CHAPTER 12 Cafeteria Plans	1. A discussion listing the temporary cafeteria plan relief measures provided in response to the COVID-19 pandemic has been added in this section.	Section 1204
	2. This edition includes a discussion on when premiums for individual coverage may be paid through a cafeteria plan without subjecting the employer or the plan to penalties.	Section 1205
	3. Guidance on coordinating health benefits under an individual coverage HRA (ICHRA) with a cafeteria plan has been added in this update.	Section 1205
	4. A discussion on actions an employee can take to avoid losing unused amounts in health FSA at the of a plan year has been added in this edition.	Section 1209
	5. This section has been enhanced with discussions on selecting a service provider, handling benefit payments, handling forfeited contributions, and correcting improper health FSA contributions.	Section 1215
CHAPTER 13 Dependent Care Assistance Programs	1. A planning tip has been added to this section on information an employer can provide to employees regarding dependent care assistance so the employee can determine whether the employer-provided benefit or the income tax credit is more beneficial.	Section 1301
	2. This edition includes a discussion on the increase in benefits available for 2021 and other temporary relief provisions related to dependent care assistance.	Section 1301

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	3. Due to the COVID-19 pandemic, an employer may extend the maximum age for an eligible dependent under certain circumstances. Information on this relief is included in this section.	Section 1306
	4. A planning tip has been added in this section on how an employer can require employees to timely submit a reimbursement request.	Section 1306
CHAPTER 14 Educational Assistance Programs	1. A discussion has been added in this update on the law change that allows employers to provide student loan repayments as part of its qualified educational assistance program through December 2025.	Section 1401
CHAPTER 16 Health Plans	1. A discussion on providing health care benefits for employees who are furloughed or on leave has been added in this edition.	Section 1601
	2. Information on a private letter ruling in which the IRS allows a union to allocate employer contributions between a 401(k) plan and an HRA is included in the update.	Section 1605
	3. This edition includes new discussions on proposed regulations regarding how payments for health care sharing ministries and direct primary care arrangements are handled.	Section 1610
	4. A discussion on the payroll tax credit available for certain employers that pay FMLA leave during the COVID-19 pandemic has been added in this update.	Section 1617
	5. This new appendix compares the features in the various types of HRAs an employer can offer employees.	Appendix 16C
CHAPTER 17 Disability Income Plans	1. This update includes guidance on the tax treatment of employer-owned insurance when an employer receives proceeds of a disability insurance policy on behalf of a key employee.	Section 1704
CHAPTER 20 Qualified Retirement Plans	1. A law change alert has been added in this update regarding the waiver of the 10% early distribution penalty related to qualified disaster distributions from an eligible retirement plan.	Section 2003
	2. This edition includes a discussion on the change effective for 2020 plan year filings, allowing one-participant plans and foreign plans to file the Form 5500-EZ electronically using the EFAST2 filing system.	Section 2004