November 17, 2021

Infrastructure Act Includes Additional Pension Funding Relief, Disaster Relief Changes, and New Digital Asset Reporting Requirements

The [Infrastructure Investment and Jobs Act](#) (the Act), signed by President Biden on November 15, 2021, includes extensions to the single employer pension funding relief originally provided in the American Rescue Plan Act of 2021 (ARPA). Other provisions include modifications to the mandatory 60-day postponement period, which grants relief to taxpayers for certain tax-related acts due to federally declared disasters and new reporting requirements for transactions involving digital assets. The effective dates vary—pension funding relief provisions apply to plan years beginning after December 31, 2021; the disaster relief changes are effective for federally declared disasters that occur after November 15, 2021; and the new reporting requirements for digital assets apply to information reports required to be filed after December 31, 2023.

Extension of Single Employer Pension Relief

The Act would extend by five years the relief granted by ARPA. Segment rates based on corporate bond yields are used to determine the applicable interest rate for calculating plan contributions. ARPA provided funding relief for single employer defined benefit plans by modifying the minimum and maximum “corridor” for segment rates through 2029, and applying a minimum five percent floor to the average segment rate for any 25-year period. The Act extends ARPA’s pension smoothing corridor to 2034.

Changes to Mandatory 60-Day Postponement Period for Disasters

Originally added in December 2019 by the Taxpayer Certainty and Disaster Tax Relief Act of 2019, new Internal Revenue Code Section (IRC Sec.) 7508A(d) requires the IRS to automatically postpone for 60 days certain time-sensitive, federal tax-related deadlines—including those related to retirement savings plans—in response to “federally declared disasters.” The 60-day extension applies to qualified taxpayers, which include individuals whose principal residence or principal place of business is located in a “disaster area.”

Although the IRS typically extends deadlines for more than 60 days, the provision ensures that affected taxpayers will have at least a minimum 60-day time frame to complete certain tax-related acts following a disaster. In June 2021, the IRS issued final regulations further explaining how the 60-day period is to be determined and clarifying the term “federally declared disaster.” The final regulations, however, negated the automatic nature of the mandatory 60-day period by requiring that the Treasury Secretary first exercise discretionary authority to extend deadlines. On the heels of the final regulations, the Act restores the automatic application of the mandatory 60-day period, further tweaks the requirements for the mandatory 60-day extension, and adds “significant fire” as an event for which the IRS can issue relief under IRC Sec.7508A. These changes to the disaster relief are effective for federally declared disasters that occur after November 15, 2021.

- **What if there are multiple disaster declarations issued?** If there are multiple disaster declarations issued relating to a disaster area within a 60-day period, then a separate mandatory 60-day period will be determined for each declaration.
- **When does the 60-day postponement period begin and end?** The mandatory 60-day postponement period currently begins on the earliest "incident date" specified in a Federal Emergency Management Agency (FEMA) disaster declaration and ends on the date that is 60 days after the latest incident date. The newly enacted changes to IRC Sec. 7508A(d) provide that the 60-day period will now end 60 days following the later of the earliest incident date or the date that FEMA announces a federal disaster declaration, possibly resulting in a longer 60-day period.
- **Are taxpayers entitled to relief when affected by a significant fire?** Taxpayers affected by a "significant fire" are now entitled to the same tax-related deadline extensions as those who are affected by a federally declared disaster area. The term "significant fire" means any fire with respect to which assistance is provided under section 420 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

New Digital Reporting Requirements

The definition of "broker" now includes those who, in exchange for compensation, regularly make transfers of digital assets (e.g., "crypto" currencies) for investors. The Act expands IRS reporting requirements to include digital asset transactions regularly performed by brokers. Brokers performing digital asset transactions must now identify clients and report their digital asset activity each year to the IRS.

Takeaways

Although the legislation changes certain aspects of the disaster relief provisions, including extending the minimum 60-day period and adding "significant fire" to the list of events for which the IRS can delay tax deadlines, the IRS has already been postponing deadlines for more than 60 days and has granted relief for past wildfires. Taxpayers and businesses should continue to refer to the IRS website for the latest disaster relief information.

The other major changes allow sponsors of single employer defined benefit plans to have interest rate relief through 2034 and create a new reporting requirement for brokers filing returns in 2024 and later years. Ascensus will analyze and share any further developments related to this guidance. Visit ascensus.com for the latest information.