

The American Rescue Plan Act expands covered employees under section 162(m)

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On March 11, 2021, President Biden signed into law the [American Rescue Plan Act of 2021](#) (“ARPA”), the \$1.9 trillion stimulus bill adopted by Congress in response to the economic fallout from the COVID-19 pandemic. Among the provisions in ARPA are an extension of enhanced unemployment benefits through September 6, 2021, up to \$1,400 in direct payments to certain individuals, emergency paid leave, grants to small businesses and other benefits designed to provide fiscal stimulus to the U.S. economy.

To offset some of the spending provisions included in ARPA, ARPA also includes changes designed to increase revenue. One such change expands the scope of Section 162(m) of the Internal Revenue Code to include the compensation paid to additional employees at publicly traded companies as non-deductible compensation.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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