Because many businesses face unprecedented economic uncertainty due to COVID-19, Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES Act). We can help you navigate the relief that may be available to your business under the CARES act. This third aid package from Congress is aimed at businesses and individuals. The following are the provisions that directly impact businesses:

Provision related to Payroll Relief – See the CARES Act Payroll Relief Comparison document for a discussion of the various options related to loans, loan forgiveness, grants and retention credits available to small businesses. The comparison gives general details on the Paycheck Protection Program, including the loan and potential forgiveness, the EIDL grants and the Employer Retention Credit.

Payment of Employer Payroll Taxes Delayed – Employers are allowed to defer the payment of the employer portion of social security taxes for the period from March 27, 2020 through December 31, 2020. 50% of the amount due is deferred until December 31, 2021 with the remaining 50% due December 31, 2022. The deferral also applies to self-employment taxes. Deferral is not available to a taxpayer who has received loan forgiveness under the Payroll Protection Program.

Changes to NOL carrybacks and limitations – Net operating losses arising in tax years beginning after December 31, 2017 and before January 1, 2021 can be carried back five years. Also, the full amount of the NOL is allowed to fully offset income. Before the CARES Act, NOL's were only available to offset 80% of the taxable income.

Temporary Allow Full Excess Business Loss – For calendar years 2018, 2019 and 2020, noncorporate taxpayers can deduct the full amount of excess business losses. Note that this modification only applies to excess business losses. Taxpayers continue to be subject to basis, at-risk and passive activity loss limitations.

Interest expense deductibility is increased – The limitation on the deductibility of interest expense is increased to 50% of adjusted taxable income. Also, businesses can elect to use the 2019 adjusted taxable income to compute the 2020 limitation. This election does not apply to partnerships, but 50% of the suspended interest will be deductible in 2020 for partnership limitations passed through to the partners.

Qualified Improvement Property Technical Correction – The CARES Act fixes a technical glitch that came out of the Tax Cuts and Jobs Act. Qualified improvement property is designated as 15 year property and is eligible for bonus depreciation. This correction applies retroactively to property placed in service after December 31, 2017.

Tax exclusion of education payments by an employer – Up to $5,250 of employer payments will be excluded from an employee's gross income for "eligible student loan repayments". The employer can pay the employee or the lender directly.

As always with new tax laws, interpretations may change as more regulations and information become available. Also, this information is general in nature and outcomes may change in your specific tax situation. We can address specific situations as we with partner with you during this difficult time.