

CARES ACT - Business and Individual Income Tax Changes Abound

By: Matthew Lake on March 30, 2020 on graydon.law

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act is expected to provide \$2 Trillion in emergency relief to individuals and businesses including significant business and individual tax relief. While additional Regulations and Guidance may be needed - a summary of several significant provisions follows:

Business Tax Relief:

- Provides eligible employers (including nonprofits) a refundable payroll tax credit for up to 50% of employee wages on wages up to \$10,000 per employee (maximum credit of \$5,000 per employee). For employers with over 100 employees, the credit applies to employees who are retained but not working and for employers with less than 100 employees the credit applies to all employees. No credit is available with respect to any employee for any period for which the employer is allowed a Work Opportunity Credit (IRC Sec. 21).
- Allows qualifying employers and self-employed individuals to delay remittance of the employer's share of social security taxes through December 31, 2020. Fifty percent of the deferred deposits would be due by December 31, 2021 and the remaining fifty percent by December 31, 2022. This provision does not apply to any taxpayer who had indebtedness forgiven under the Small Business Act.
- Changes the Net Operating Loss rules (NOLs), to include a five-year carryback of qualifying 2018, 2019 and 2020 losses and eliminates loss limitations for taxable years beginning before January 1, 2021. Similar loss provisions have been extended to pass through entities.
- Sets the business interest deduction limitation under IRC Section 163(j) at 50% for 2019/2020 (as opposed to the current 30% limitation).
- Accelerates the ability of Corporations to claim refunds for corporate alternative minimum tax credits.

- Allows qualifying employer payments of student loans on behalf of employees as an exclusion from taxable income.
- Temporarily suspends the excise tax on alcohol used to produce hand sanitizer for 2020.
- Increases the limitations for charitable deductions by corporations from 10% to 25% of taxable income and limitations on deductions for contributions of food inventory from 15% to 25%.

Individual Tax Relief:

- Provides rebates of \$1,200 for individuals (\$2,400 for joint filers) subject to phase out beginning at \$75,000 (\$150,000 for joint filers) of 2019 adjusted gross income.
- Creates a \$300.00 above the line deduction for non-itemizing individuals for tax years beginning in 2020 and suspends the 60% of adjusted gross income limitation for individual charitable deductions for 2020.
- Please see Graydon's recent employment benefits release for an explanation of changes related to retirement plans.

The items above are meant as a high level summary of complex and evolving topics and should not be construed as legal advice.

Please reach out to a Graydon attorney today with any questions.