Key Tax Provisions of the CARES Act

On March 18, 2020 the *Families First Coronavirus Response Act (FFCRA)* was signed into law. The legislation created new paid leave requirements for employers and expanded corresponding tax credits to reimburse employers offering paid leave. On March 27, 2020 the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act*) was signed into law. The legislation includes various tax provisions that are designed to stimulate the economy and provide relief to impacted individuals and businesses. Many individuals will receive tax rebate checks and will have the opportunity to take advantage of expanded deductions. Entities will also see expanded deductions, and many will be able to utilize new payroll tax credits. The following summary lists the individual, corporate, and payroll tax provisions of the legislation.

Individual Tax Provisions

Topic	Prior Law	Current Law/Issued Guidance
Recovery Rebates	N/A	U.S. residents are eligible to receive a tax rebate of $1,200 per taxpayer or $2,400 for a couple that files a joint tax return. An additional rebate of up to $500 is available for each child. The rebate phases out based on the taxpayer's adjusted gross income as reported on the taxpayer's most recently filed tax return. The phaseout range begins at $75,000 for a single taxpayer (or $150,000 for a joint filer) and phases out at a 5% rate. The IRS has released frequently asked questions related to tax rebates, which can be found here.
Filing Due Dates	Tax returns and income tax payments for the 2019 tax year were due by April 15th, 2020. Estimated tax payments for Q1 of the 2020 tax year were also due on April 15th, 2020.	2019 tax returns and estimated tax payments for Q1 2020 will not be due until July 15th, 2020. An extension request is not required to take advantage of the extended deadline. Please note, Q2 2020 estimated tax payments will still be due by June 15, 2020. IRS guidance on deadline relief can be found here.

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Topic	Prior Law	Current Law/Issued Guidance
		This relief only applies to federal income tax filings. Please check with your state agency to determine if similar relief has been granted. State guidance can be found here.
Early Withdrawal of Retirement Funds	Early withdrawal from an Individual Retirement Account (IRA) prior to age 59 ½ was subject to inclusion in gross income plus a 10 percent tax penalty.	Early withdrawals from an IRA for a "coronavirus-related distribution" are exempt from the 10 percent penalty on withdrawals of up to $100,000. Gross income from the distribution may be spread over a three-year period, and amounts may be recontributed to the plan within a three-year period without exceeding the current year maximum contribution to a plan. A "coronavirus-related distribution" is a distribution related to an individual's diagnosis (or their spouse's/dependents' diagnosis) with COVID-19 or adverse financial consequences of being laid off or quarantined.
Required Minimum Distributions from Retirement Plans	Individuals who reach age 72 (70 ½ if you reach 70 ½ before January 1, 2020) are generally required to withdraw a minimum amount from a retirement plan and include distributions in gross income.	The minimum required distribution rules are temporarily suspended for the 2020 tax year.
Charitable Contributions	Individuals were only able to deduct charitable contributions if they itemized their deductions. The maximum allowable deduction for charitable contributions was limited to 50% of adjusted gross income.	Individuals will be able to deduct up to $300 of charitable contributions in 2020 even if they do not itemize their deductions. The 50% of adjusted gross income limitation is temporarily suspended for the 2020 tax year.
Excess Business Loss Limitation	The 2017 Tax Cuts and Jobs Act limited the amount of business losses that were able to be deducted to $250,000 for an individual or $500,000 for a jointly filed tax return.	The excess business loss limitation is temporarily suspended.
Business Interest Expense Limitation	The 2017 Tax Cuts and Jobs Act limited the amount of business interest expense that was deductible to corporations, individuals, and pass-through entities. Business interest expense was only deductible up to 30% of Adjust Taxable Income (ATI). ATI is calculated as taxable income before any deduction or income related to depreciation, amortization, interest expense or interest income.	The 30% of ATI limitation is increased to 50% of ATI for the 2019 and 2020 tax years.

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Topic	Prior Law	Current Law/Issued Guidance
Immediate Expensing of Qualified Improvement Property	The 2017 Tax Cuts and Jobs Act allowed for the immediate expensing of most property that was placed in service after September 27th, 2017. However, a drafting error in the Act removed "Qualified Improvement Property" from the list of property eligible for immediate expensing. Qualified Improvement Property generally consists of improvements that have been made to nonresidential real property. Absent a correction to the law, qualified improvement property had to be depreciated over a maximum of 39 years.	Qualified Improvement Property placed in service as of September 27th, 2017 is now eligible for immediate expensing. Individuals and entities can also amend prior tax returns to claim the additional deduction.
Employer Payments of Student Loans	Employees who received student loan reimbursement (or payment on their behalf by their employer) had to include the amounts received or paid in gross income.	Employees may exclude up to $5,250 of income in 2020 related to student loan reimbursement or payments made by an employer on behalf of the employee.

Payroll Tax Provisions

Topic	Prior Law	Current Law/Issued Guidance
Employee Retention Credit	N/A	A refundable credit is established against the employer portion of payroll taxes for employers that are financially impacted by COVID-19 in the last three quarters of 2020. Tier 1 payroll taxes are eligible to be offset by the credit. The credit is calculated as 50% of compensation paid to qualified employees (including health care benefits), not to exceed $10,000 per employee. In order to qualify, a business must face a government mandated shutdown or see a 50% decrease in gross receipts when compared to the same quarter of the prior year. The business becomes ineligible once gross receipts increase to 80% of the amount earned in the same quarter of the prior year. For employers with more than 100 employees, the credit is allowed for compensation paid while employees are unable to provide services.

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Topic	Prior Law	Current Law/Issued Guidance
		For employers with less than 100 employees, the credit is allowed for compensation paid while the business qualifies due to a decline in gross receipts or government mandated shutdown. Businesses that receive Small Business Loans are ineligible for the credit. IRS Resources
Delayed Payment of Employer Payroll Taxes	N/A	Employers and self-employed individuals are able to defer payment of the employer portion of payroll taxes that would have been due in 2020. One half the deferred amount must be paid by December 31, 2021, and the remaining half must be paid by December 31, 2022.
Paid Leave Tax Credit	The 2017 Tax Cuts and Jobs Act created a general business tax credit for certain employers that offered paid leave to employees. To qualify, employers had to have a written policy that provided at least two weeks of paid leave with compensation equal to 50% of ordinary wages.	The Families First Coronavirus Response Act (FFCRA) requires certain employers to provide paid leave to their employees. See further discussion of paid leave requirements here and Department of Labor guidance here. To reimburse employers for the paid leave requirements, the law expands the tax credit that was available to employers offering paid leave. Employers are now eligible to receive 100% reimbursement for paid leave, including health care benefits paid. The credit also applies to self-employed individuals. Employers will claim the credit on Form 941, Employer's Quarterly Federal Tax Return and can benefit from the credit more quickly by reducing their federal employment and income tax deposits. If a complete reduction of tax deposits is insufficient to cover the cost of paid leave, then employers can file Form 7200 to claim an advanced refund. IRS Resources & IRS Guidance

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Corporate Tax Provisions

Topic	Prior Law	Current Law/Issued Guidance
Charitable Contributions	The maximum deduction for charitable contributions was limited to 10% of taxable income.	The taxable income limitation is increased from 10% to 25% for the 2020 tax year.
Net Operating Losses	The 2017 Tax Cuts and Jobs Act limited the use of Net Operating Losses (NOLs) that were generated after the 2017 tax year. NOLs could only be used to offset up to 80% of taxable income and could not be carried backwards to a previous year.	NOLs that were/are generated in 2018, 2019, and 2020 can be carried backward for five years, which will allow businesses to amend prior tax returns to claim a refund. The 80% of taxable income limitation is also temporarily suspended.
Alternative Minimum Tax (AMT) Credits	The 2017 Tax Cuts and Jobs Act repealed corporate AMT. Excess AMT tax credits that existed before the enactment of Tax Cuts and Jobs Act were to be refunded to corporate taxpayers over a four-year period, ending in 2021.	AMT credits that have not yet been refunded are able to be claimed in full before 2021.
Business Interest Expense Limitation	The 2017 Tax Cuts and Jobs Act limited the amount of business interest expense that was deductible to corporations, individuals, and pass-through entities. Business interest expense was only deductible up to 30% of Adjust Taxable Income (ATI). ATI is calculated as taxable income before any deduction or income related to depreciation, amortization, interest expense or interest income.	The 30% of ATI limitation is increased to 50% of ATI for the 2019 and 2020 tax years.
Immediate Expensing of Qualified Improvement Property	The 2017 Tax Cuts and Jobs Act allowed for the immediate expensing of most property that was placed in service after September 27th, 2017. However, a drafting error in the Act removed "Qualified Improvement Property" from the list of property eligible for immediate expensing. Qualified Improvement Property generally consists of improvements that have been made to nonresidential real property. Absent a correction to the law, qualified improvement property had to be depreciated over a maximum of 39 years.	Qualified Improvement Property placed in service as of September 27th, 2017 is now eligible for immediate expensing. Individuals and entities can also amend prior tax returns to claim the additional deduction.

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