CARES Act Tax Policy Changes

The CARES Act makes select changes to tax policies to help businesses impacted by COVID-19. We will provide more information and links to trainings specific to these tax policies as they become available. We recommend consulting with your CPA/tax professional about how these changes could help your business through this time. These tax policy changes include:

Employee Retention Tax Credit

Eligible businesses can get a refundable 50% tax credit on wages up to $10,000 per employee. The credit can be obtained on wages paid or incurred from March 13, 2020, through December 31, 2020. Your business may be eligible if 1.) your business operations were fully or partially suspended due to a COVID-19 shut-down order; or 2.) gross receipts declined by more than 50% compared to the same quarter in the prior year. We are awaiting clarification on if this tax credit can be used in conjunction with a Paycheck Protection loan or the SBA EIDL grant money.

Delay Payroll Tax Payments

Businesses and self-employed individuals can delay their payroll tax payments, deferring them and paying them over the next two years. 50% must be paid by the end of 2021 and 50% must be paid by the end of 2022. (Note: The ability to defer these taxes does not apply to a business that has a Paycheck Protection loan forgiven. We reported on the new Paycheck Protection loan program in our 3/30/2020 email update).

Net Operating Loss (NOL) Limitations

If your business had an NOL in a tax year beginning in 2018, 2019, or 2020, that NOL can be now be carried back five years instead. This may improve cash flow and liquidity for some businesses. Pass-through businesses and sole proprietors will also be able to take advantage of the relaxed NOL limitations.

Miscellaneous Policy Changes

- Businesses that were due to receive corporate alternative minimum tax (AMT) credits at the end of 2021 can instead claim a refund now.
- Businesses will be able to increase their business interest expense deductions on their tax returns. For 2019 and 2020, the amount of interest expense businesses are allowed to deduct on their tax returns is increased to 50% from 30% of taxable income.
- Businesses, especially those in the hospitality industry, will be able to immediately write off costs associated with improving facilities, increasing cash flow.
- The government will make a temporary exception from the excise tax normally applied to alcohol, if that alcohol was used to produce hand sanitizer in 2020.