

# The CARES Act

March 27, 2020

President Trump signed the historic \$2 trillion economic relief package known as The CARES Act.

## For business taxpayers, the CARES Act

- Sets up a program to help entities to cover payroll, rent, utilities, and interest from February 15, 2020 to June 30, 2020. Eligible entities may borrow up to \$10 million, based on a formula tied to 2 1/2 times average monthly payroll, covering employees making up to \$100,000 per year. The loans are eligible for deferral of principal and interest payments for not less than six months or more than one year. Loans may be forgiven up to an amount used to pay payroll, rent, utilities and mortgage interest during the eight weeks following the loan disbursement. The loan forgiveness amount will be reduced by a reduction in the workforce or reduction in wage and salary levels by more than 25 percent. Temporary workforce and wage and salary reductions from February 15, 2020 through 30 days after the passage of the CARES Act will not reduce the amount forgiven so long as such workforce and wage and salary reductions are eliminated by June 30, 2020.
- Provides an employee retention credit against applicable employment taxes of 50% of wages for employers subject to closure due to COVID-19.
- Extends the time for paying employer payroll taxes.
- Temporarily repeals the taxable income limitation for net operating losses and allows a five-year carryback for losses incurred after 2017 and before 2021.
- Eliminates the limitation on excess farm losses for years after 2017 and before 2026.
- Modifies the credit for prior year minimum tax liability of corporations by reducing the limitation on the amount of the credit that is refundable.
- Modifies the limitation on deductions for business interest by increasing the amount of taxable income which limits the deduction from 30% to 50%.
- Fixes the technical glitch in the Tax Cuts and Jobs Act which prevented qualified improvement property from qualifying as 15-year depreciation property and bonus depreciation property.



## For individual taxpayers, the CARES Act

- Provides 2020 recovery rebates of up to \$1,200 for singles and \$2,400 for joint filers which begin phasing out at adjusted gross income of \$75,000 and \$150,000 respectively. Taxpayers with children will receive an additional \$500 per child. Rebates will be issued based on 2019 income tax returns, or 2018 returns for individuals who haven't yet filed in 2019.
- Waives the 10% early withdrawal penalty for coronavirus-related distributions from retirement plans and provides the option of recontributing the funds for up to three years after such distributions are made.
- Temporarily waives the required minimum distribution rules for 2020 for defined contribution plans, including an eligible deferred compensation plan, and individual retirement plans.
- Allows an above the line deduction of up to \$300 for charitable contributions and relaxes the limitations on deductible charitable contributions for taxpayers who itemize.
- Modifies the limitations on individual and corporate charitable contributions made during 2020 and increases the limit on contributions of food inventory.
- Excludes from income certain student loan debt repaid by an individual's employer for repayments made after date of enactment and before 2021.

Please contact your CPA at Blystone & Bailey if you would like to discuss the impact this new law may have on you or your business.

