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On Friday, March 27th, Congress passed and the President signed into law the CARES Act, which included the much anticipated business loan availability being called the Paycheck Protection Program. The CARES Act contains a number of important tax provisions, while the Paycheck Protection Program provision of the CARES Act offers businesses immediate access to liquidity through a new loan program tied to prior year payroll. We have highlighted key details of both below. There are many details of this bill that will be forthcoming, so we will do our best to keep providing updates as they become available to us. Please visit www.fkco.com/covid-19 for additional resources.

General Highlights of the CARES Act

- Tax relief for individuals and businesses and direct cash payments for qualifying individuals
- Temporarily reverses or limits the revenue raising provisions of the Tax Cuts and Jobs Act (the TCJA) and makes several technical corrections to the TCJA
- \$500 billion lending program providing loans, loan guarantees and investments
- Increases unemployment benefits, including “Gig” workers and the self-employed
- Funding to support public health programs, hospitals, medical providers and suppliers
- Protections against certain foreclosures and eviction (and relief for delayed payments)
- Funding for the Emergency Food Assistance Program, SNAP and CNP

Business Tax Provisions

1. Employee retention credit for employers subject to closure due to COVID-19

- The provision provides a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shutdown order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.
- The credit is based on qualified wages paid to the employee.
- For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above.
- For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.
- **NOTE:** The credit is not available to employers receiving assistance through the Paycheck Protection Program.

2. Delay of payment of employer payroll taxes

- The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax.
- The provision requires that the deferred employment tax be paid over the following two years, half due on December 31, 2021 and the other half by December 31, 2022.
- **NOTE:** Deferral is not provided to employers receiving assistance through the Paycheck Protection Program.

3. Modifications for net operating losses

- Provides for the 5-year carryback of Net Operating Losses arising in 2018, 2019 and 2020

4. Modification of limitation on losses for taxpayers other than corporations

- Modifies the loss limitation applicable to pass-through businesses and sole proprietors.

5. Modification of credit for prior year minimum tax liability of corporations

- Accelerates the ability to recover AMT

6. Modification of limitation on business interest

- Increases limitation from 30 percent to 50 percent of taxable income for 2019 and 2020.

7. Technical amendment regarding qualified improvement property

- Allows the immediate write-off of costs associated with improving facilities instead of having to depreciate those improvements over a 39-year life