

## NEWS ALERT

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### TAX GROUP



#### The CARES Act: A Summary Of The Federal Tax Relief Provisions

By Marc T. Finer | April 13, 2020

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") into law. Included in the CARES Act are numerous changes and updates to current Federal tax law to help taxpayers dealing with the fallout of the COVID-19 pandemic. The following summary highlights the provisions of the CARES Act that are intended to provide meaningful Federal tax relief for both individuals and businesses in this very challenging economic climate.

##### Individual Tax Relief

###### ➤ ***Rebate Checks***

Eligible individuals will receive a cash payment of \$1,200 (\$2,400 for married filing jointly) with an additional \$500 for each dependent child. The payments will act as a form of a credit against the individual's 2020 tax liability and are phased out for single filers with adjusted gross income ("AGI") between \$75,000 - \$99,000 (between \$150,000 - \$198,000 for married filing jointly). The individual's 2019 tax return if filed, or 2018 tax return, will generally be used to determine eligibility.

###### ➤ ***Increased Charitable Contribution Deductions***

For the year 2020, individual taxpayers are permitted to deduct up to \$300 for cash contributions to qualifying charities, whether or not the individual itemizes deductions. The 60% AGI limitation on individual charitable contributions is also suspended for the year 2020 (meaning charitable contribution deductions of up to 100% of AGI may be claimed).

###### ➤ ***Suspension of Required Minimum Distributions***

The requirement for individuals to take both 2019 Required Minimum Distributions ("RMDs") that are required to be taken by April 1, 2020 (for individuals turning 70½ in 2019) and 2020 RMDs is waived with respect to certain defined contribution plans and IRAs.

###### ➤ ***Penalty-Free Coronavirus Related Retirement Plan Distributions***

For the year 2020, the 10% early withdrawal penalty that applies for non-qualifying distributions from qualified retirement plans does not apply to a Coronavirus-related distribution of up to \$100,000 (i.e., COVID-19 diagnosis for oneself or immediate family and COVID-19 financial loss due to furlough, layoff, business closure, etc.). The distributed amounts may be repaid to the plan or another eligible plan or IRA that accepts rollover contributions over 3 years to avoid income recognition. Any increase in income due to the unrepaid distribution is taxed over 3 years (unless the individual elects otherwise).

➤ ***Increased Limit for COVID-19 Related Retirement Plan Loans***

From March 27, 2020 to September 22, 2020, eligible plan participants may take plan loans of up to the lesser of \$100,000 (instead of the usual \$50,000) or 100% (instead of the usual 50%) of their vested account balance from qualifying retirement plans for COVID-19 related reasons (described above).

Business Tax Relief

➤ ***Employee Retention Credit***

Qualifying employers are entitled to a refundable credit against payroll taxes for each calendar quarter for 50% of qualified wages paid to employees from March 13 through December 31, 2020, subject to a cap of \$10,000 per employee. The credit is available to employers whose operations have been fully or partially suspended as a result of a government ordered Coronavirus-related shutdown and employers who have experienced a greater than 50% reduction in gross receipts during a calendar quarter of 2020 when compared to the same calendar quarter in the prior year. Employers who receive a small business loan under the Paycheck Protection Program provisions of the CARES Act are not eligible for the benefits of this provision.

➤ ***Deferral of Employer Payroll Tax Deposits***

Eligible employers and self-employed individuals are permitted to defer the payment of the 6.2% employer portion of social security payroll taxes attributable to employee wages through December 31, 2020. The deferred taxes are required to be paid in equal amounts over the following two years – 50% by December 31, 2021 and 50% by December 31, 2022. Taxpayers who have a small business loan forgiven under the Paycheck Protection Program are not eligible for the benefits of this provision.

➤ ***Expanded Net Operating Loss (NOL) Provisions***

NOLs generated during the years 2018-2020 may be used against 100% (rather than 80%) of taxable income for these years. These NOLs may also be carried back for up to 5 years.

➤ ***Acceleration of Alternative Minimum Tax Credits***

Remaining AMT credits following the repeal of the corporate alternative minimum tax may be used in years 2018 and 2019, or entirely in 2018 at the election of the taxpayer.

➤ ***Temporary Increase in Business Interest Deduction***

The amount of interest expenses businesses are permitted to deduct is temporarily increased from 30% to 50% of taxable income for the years 2019 and 2020.

➤ ***Increased Charitable Contribution Deductions***

The 10% of taxable income limit that applies to charitable contributions made by corporations is increased to 25% for the year 2020.

➤ ***Qualified Improvement Property***

Starting with the year 2018, costs associated with improving facilities may be written off immediately (i.e., 100% bonus depreciation) instead of having to be depreciated over a 39-year life.

➤ ***Paycheck Protection Program Loan Forgiveness***

Loan amounts that are forgiven under the Paycheck Protection Program are not required to be treated as taxable cancellation of debt income.

➤ ***Temporary Suspension of Limit on Excess Business Losses***

For the years 2018-2020, losses related to a trade or business of a non-corporate taxpayer are not limited to \$250,000 (\$500,000 for joint filers) in excess of trade or business income and gain.

The CARES Act provides significant current Federal tax relief for many individuals and businesses financially impacted by the Coronavirus. In addition, a number of the Federal tax law changes enacted by the CARES Act provide valuable Federal tax planning opportunities for noncorporate and corporate taxpayers to generate positive cash flow. Given the CARES Act's liberalization of some of the Federal tax laws, taxpayers should discuss with their tax advisors whether it is possible or beneficial to amend any previously filed tax return.

*If you have any questions regarding the Federal tax relief provided under the CARES Act or how it might affect your business, please contact Marc T. Finer, Tax Partner, at 860-240-6096 or [mfiner@murthalaw.com](mailto:mfiner@murthalaw.com).*

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