

### Senate Version of CARES Act: Impact to Businesses

On March 25, 2020, the Senate passed an updated version of the Coronavirus Aid, Relief and Economic Security (CARES) Act. The House is scheduled to vote on the bill Friday. The legislation builds upon earlier versions of the CARES Act and provides significant tax and non-tax stimulus to individuals and businesses. Below is a brief summary of key business tax provisions.

#### Payroll Tax

- Certain employers are eligible for a 50% refundable tax credit that will apply against an employer's payroll tax liability (Social Security and Railroad Retirement). The credit base is limited to the first \$10,000 in wages paid per employee. If the employer has more than 100 full-time employees, the credit is limited to employees who are currently not providing services to the employer due to specified COVID-19 causes. The credit is effective for wages that are paid after March 12, 2020 and before January 1, 2021.
- Employers are also eligible for a deferral of the payment of the employer share of Social Security taxes and 50% of self-employment taxes attributable to wages paid during 2020. Fifty percent of the deferred amount would be due on December 31, 2021 and the other 50% on December 31, 2022.

#### Business Operations

- Taxpayers will no longer be subject to the net operating loss limit that was previously based on 80% of the taxpayer's taxable income for three years. As a result, the limit would not apply to the 2018, 2019 and 2020 tax years.
- Taxpayers will be permitted to apply a five year carryback for net operating losses incurred in 2018, 2019, and 2020. This will allow taxpayers to recover refunds of taxes paid in prior years.
- Corporations will be allowed to accelerate their claims for refunds based on existing corporate alternative minimum tax (AMT) credits.
- Taxpayers will benefit from an increased limitation on interest deductions imposed by the Tax Cuts and Jobs Act. The amount of deductible interest will be increased from 30% to 50% of adjusted taxable income for tax years beginning in 2019 and 2020.
- Alcohol producers will not be subject to federal excise taxes on any distilled spirits used to produce hand sanitizer for tax year 2020.

#### Other

- Technical corrections to provisions in the 2017 tax law (Tax Cuts and Jobs Act) related to qualified improvement property. This provision allows businesses to immediately deduct costs associated with improving certain buildings/facilities instead of being required to capitalize and depreciate those costs over the life of the building, which generally is 39 years. This provision has specific application to taxpayers involved in the hospitality industry because these businesses normally make significant expenditures for buildings.

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