

# CARES Tax Benefits for Businesses – Increased Deductions, Increased Use of Losses, and Potential Refunds



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The Coronavirus Aid, Relief, and Economic Security Act (CARES) enacted on March 27, 2020 contained several significant business-related tax changes highlighted below. Many of these changes are limited in the period to which they apply, and several have retroactive application that may require filing an amended tax return in order to claim the full benefit available.

## **Business Interest Deductions**

The amount of a taxpayer's business income that may be offset by business interest generally is limited to 30%. CARES increases this limit to 50% for 2019 and 2020, subject to special rules for businesses that are classified for income tax purposes as partnerships and their partners.

## **Net Operating Losses**

The amount of a taxpayer's income for the current year that may be offset by net operating losses from other years generally is limited to 80%. CARES removes this limitation for tax years beginning before 2021. Net operating losses arising in a year prior to 2018 that are carried forward to 2021 or a later year are not limited in how much of a taxpayer's income they may offset; net operating losses arising in 2018 or later years that are carried forward to 2021 or a later year are subject to the 80% limitation.

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## CARES TAX BENEFITS FOR BUSINESSES – INCREASED DEDUCTIONS, INCREASED USE OF LOSSES, AND POTENTIAL REFUNDS

Net operating losses generally may be carried forward to later years but cannot be carried back. CARES allows net operating losses arising in years after 2017 and before 2021 to be carried back for five years, potentially allowing a claim for a refund for taxes paid for an earlier year.

For purposes of the rules limiting use of net operating losses of a corporation when there has been a 50% or greater ownership change, CARES authorizes the Treasury to adopt rules providing that stock granted to the government or a lender pursuant to CARES loan programs will not count as an ownership change.

### **Use of Business Losses**

For years prior to 2026 the amount of an individual's other income that may be offset by business losses generally is limited to specified amounts adjusted for inflation; in 2019 the amount is \$510,000 for married taxpayers filing jointly and \$255,000 for other individuals.

CARES removes this limitation for years prior to 2021.

### **Charitable Contributions**

The amount of a corporation's income that a corporation may offset with charitable contributions generally is limited to 10%. CARES increases this limit to 25% for 2020 in the case of cash contributions.

Individuals generally are limited in the amount of their income that they may offset with charitable contributions. CARES generally removes that limitation for 2020 in case of cash contributions. For years beginning with 2020, CARES allows individuals who do not itemize deductions and thus would otherwise not be able to deduct charitable contributions to deduct up to \$300 per year for cash contributions.

### **Bonus Depreciation for Improvements**

CARES clarifies that qualified improvement property consisting principally of improvements to the interior of a building used other than for residential purposes that are placed in service after 2017 may qualify for bonus depreciation beginning in 2018.

### **Employment Related Benefits**

Please see the [client alert](#) highlighting important benefits related to employment, including non-taxability of forgiveness of Paycheck Protection Program loans and employment tax credits and deferral.

If you have any questions concerning the tax law changes made by CARES, please contact Mark Davidson, Sara Vizithum, or Josh Lingerfelt, linked below.

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