



## The CARES Act – It's 883 pages and not the law yet, but we're on it!

Late last night, the Senate passed a voluminous bill directed at helping Americans deal with the economic fallout of COVID-19. The Coronavirus Aid, Relief, and Economic Security (CARES) Act contains provisions for business loans, cash payments to individuals, and retirement plan allowances. It also rolls back certain tax provisions in the 2017 Tax Cuts and Jobs Act (TCJA) in an effort to provide cash flow to businesses struggling in the wake of the coronavirus pandemic.

Importantly, the CARES Act must be passed by the House of Representatives, where it could undergo changes, and signed by the President before it becomes law. However, here's an overview of some of the key tax and business provisions in the current bill:

### Business Loans

- Provides *Paycheck Protection Loans* to small businesses, sole proprietors, independent contractors, and self-employed individuals to cover payroll, interest on mortgage obligations, rent, utilities, and interest on other debt obligations
- Allows for tax-free debt cancellation of all or part of paycheck protection loans
- Relaxes requirements for qualifying for the Small Business Administration's (SBA's) Economic Injury Disaster Loans and offers an advance, not to exceed \$10,000, from the SBA within three days of the organization receiving the loan application of the business to cover certain payroll, supply-chain, and other costs
- Permits borrowers of federally backed mortgages to request short-term forbearance, requires lenders to honor the request, and creates a moratorium on foreclosures and foreclosure-related evictions for no less than 60 days beginning on March 18, 2020

### Tax

- Provides for rebates of as much as \$1,200 per individual or \$2,400 for couples filing a joint return, with an additional \$500 for each child; rebates phase out for taxpayers with higher income levels
- Creates an above-the-line deduction, beginning in 2020, for individual charitable contributions up to \$300 and increases the individual and corporate charitable contribution deduction limits

- Excludes from the employees' income certain employer payments of student loans on behalf of employees
- Creates an employee retention tax credit for certain employers impacted by COVID-19; this is a refundable payroll tax credit available to some employers whose businesses were disrupted due to COVID-19 shutdowns or that had a significant decrease in gross receipts when compared to the same quarter last year
- Defers payment of a portion of employer payroll taxes through the end of 2020
- Changes the rules governing net operating losses to allow businesses to carry back losses arising in 2018, 2019, and 2020; for taxable years beginning before 2021, the bill also eliminates the 80% taxable income limitation to allow businesses to use net operating losses to fully offset taxable income
- Suspends the limit on excess business loss deductions under Section 461(l) until 2021
- Allows corporations to more quickly use their remaining alternative minimum tax credits
- Increases the amount of business interest expense companies can deduct in 2019 and 2020
- Corrects a drafting error in the TCJA to make "qualified improvement property" eligible for bonus depreciation
- Temporarily suspends excise taxes on alcohol used to produce hand sanitizer in 2020
- Suspends certain aviation excise taxes through the end of 2020

### Retirement Plans

- Allows individuals impacted by COVID-19 to withdraw as much as \$100,000 from their retirement accounts through the end of 2020 and waives the 10% early withdrawal penalty for these distributions
- Increases the amount of money certain individuals can borrow from their employer retirement accounts during the 180-day period beginning on the bill's enactment
- Gives individuals impacted by COVID-19 who have an outstanding loan from an employer retirement account due by December 31, 2020, an extra year to repay it
- Waives required minimum distribution rules for certain retirement plans in 2020

The bill also contains provisions on health, education, and labor.

The above information is a high-level summary of some of the key tax and business provisions in the bill. **As a reminder, these have not been signed into law yet.** We are continuing to monitor the bill's progress and will update you as more information becomes available.

[COVID-19 Resources →](#)

The matters discussed above provide general information only.

The information is neither tax nor legal advice. You should consult with a qualified professional advisor about your specific situation before undertaking any action.