



Overview: A List of Specific Tax Relief Measures in the CARES Act

March 29, 2020

The Coronavirus Aid, Relief, and Economic Security Act, H.R. 748 (“CARES Act”), passed both the Senate and the House and has now been signed by the President. It is believed to be the largest economic relief bill in U.S. history. The following is a high-level list of the tax relief items within the CARES Act:

Individuals

- *Recovery Rebate*
 - \$1,200/individual (\$2,400 married filing jointly) with AGI up to \$75,000 (\$150,000 married filing jointly) plus \$500 per qualifying dependent, the rebate is reduced by \$5 for each \$100 that a taxpayer’s income exceeds the threshold and is completely phased out for individuals with AGI exceeding \$99,000 (\$198,000 married filing jointly).
- *Charitable Deduction (applies only to cash donations)*
 - Individuals who take standard deduction: above the line charitable deduction up to \$300.
 - Individuals who itemize: deduction up to 100% of AGI.
- *Qualified Retirement Plans*
 - Waiver of 10% penalty for early withdrawal for distributions up to \$100,000 for coronavirus-related purposes.
 - Withdrawal taxed over three years if not repaid.
 - Also provides that the limit on loans from qualified plans are increased from \$50,000 to \$100,000.
- *Student Loans*
 - Certain employer payments of student loans on behalf of employees are excluded from taxable income. Employers may contribute up to \$5,250 annually toward student loans, and the payments are excluded from an employee’s income.

Businesses (including self-employed)

- *Delay of Employer Payroll Tax*
 - Employers, including self-employed individuals, can defer payment of the social security payroll tax portion (6.2%) of social security taxes and the Medicare tax portion (1.45%) for employee’s covered wages through December 31, 2022.

- Repaid through two installments: 1/2 due December 31, 2021 and 1/2 due December 31, 2022.
 - Not available if employer receives SBA loans forgiven under the Act.
- *Retention Payroll Tax Credit*
 - Employer whose business was fully or partially suspended in 2020 due to government orders in connection with COVID-19 or experienced a significant decline in gross receipts (more than 50%) may be eligible for **refundable** employment tax credit – as much as \$5,000/employee for wages and health benefits paid between March 12, 2020 and January 1, 2021.
 - Credit is equal to 50% of qualified wages not to exceed \$10,000/employee.
- *Paid Sick Leave*
 - Limits amount employers are required to pay – for each employee:
 - Not more than \$511/day and \$5,110 in the aggregate – symptoms of COVID-19 or subject to a quarantine.
 - Not more than \$200/day and \$2,000 in the aggregate – caring for a child or a quarantined individual.
 - The new payroll credits for required paid sick leave and paid family leave (including the refundable portion) may be advanced to the employer in accordance with forms and instructions to be provided by the Secretary.
- *Increase of Section 163(j) Interest Expense Deduction*
 - A corporation can deduct the interest expense it pays on its loans to the extent the amount does not exceed 50% (increased from 30%) of the company's adjusted taxable income for 2019 and 2020.
 - This rule does not apply to a partnership tax year beginning in 2019, but any 2019 excess business interest expense that is allocated to a partner:
 - 50% of that excess interest expense will be treated as business interest paid by partners; the other 50% will be limited in the same manner as any other excess interest allocated to the partner.
- *Net Operating Loss Rules* – for NOLs arising in tax years beginning in 2018, 2019 and 2020:
 - Taxpayers can carryback NOLs for five years – generating a current refund (subject to certain exceptions related to years the taxpayer was a REIT).
 - The 80% taxable income limitation is suspended (reinstated for tax years beginning after 12/31/2020).
- *Corporate Charitable Contribution Limitation* – increased from 10% to 25%.

Changes to loss limitation rules for non-corporate taxpayers

- The Act repeals the excess business loss limitation under section 461(l) for tax years beginning during calendar years 2018, 2019, and 2020.