

**Coronavirus Aid, Relief, and Economic Security ("CARES") Act
Comparison of Selected Tax Provisions
Huselton, Morgan & Maultsby, PC**

Provision	Before CARES Act	After CARES Act
INDIVIDUALS *		
2020 Recovery Rebates (Economic impact payments)	Not Applicable	<p>2019 –</p> <p>Recovery Rebate check amounts –</p> <p style="padding-left: 20px;">\$1,200 for each eligible individual</p> <p style="padding-left: 20px;">\$2,400 for Married Couple</p> <p style="padding-left: 20px;">\$500 for each qualifying child</p> <p>Received by eligible taxpayers with Adjusted Gross Income under...</p> <p style="padding-left: 20px;">\$ 75,000 for Single/Married Filing Separately</p> <p style="padding-left: 20px;">\$112,500 for Head of Household</p> <p style="padding-left: 20px;">\$150,000 for Married Filing Joint</p> <p>Rebate is phased out by 5% of AGI that exceeds the threshold. The rebate is fully phased out for AGI at or exceeding –</p> <p style="padding-left: 20px;">\$ 98,990 for Single/Married Filing Separately</p> <p style="padding-left: 20px;">\$136,490 for Head of Household</p> <p style="padding-left: 20px;">\$197,990 for Married Filing Joint</p> <p>2020 –</p> <p>Advance Rebate received in 2019 is allowed as Income Tax Credit in 2020.</p> <p>Adv Rebate < Credit --- Claim additional credit</p> <p>Adv Rebate > Credit --- Excess not paid back</p>
Coronavirus related Retirement Plan Distributions	10% additional tax on distribution from a qualified retirement plan, unless the distribution meets an exception under Code Sec. 72(t) .	<p>(1) 10% additional tax does not apply to any <u>coronavirus-related distribution</u>, up to \$100,000</p> <p>(2) Distributions made on or after January 1, 2020, and before December 31, 2020</p> <p>(3) Distribution can be <u>contributed back</u> to retirement plan at any time during the 3-year period and will be treated as having been transferred via direct trustee-to-trustee transfer within 60 days of the distribution</p> <p>(4) Distribution can be <u>included in income</u> ratably over 3 years beginning with distribution tax year</p>
Qualified Retirement Plan Loans	<p>(1) Maximum loan from qualified employer plan is \$50,000</p> <p>(2) Repayment within 5 years</p>	<p>(1) Maximum loan from qualified employer plan is \$100,000</p> <p>(2) Repayment delayed by 1 year for loans in existence as of March 27, 2020 or taken between March 27, 2020 and December 31, 2020 that have a due date between March 27, 2020 and December 31, 2020. Subsequent repayments of any such loan also delayed by 1 year</p>

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RMD requirement waived	Retirement plan or IRA owner must take Required Minimum Distributions (RMDs) annually once the owner reaches age 72	RMD requirements do not apply for calendar year 2020
Above-the-line Charitable Deduction	Not Applicable	A taxpayer who does not elect to itemize deductions, will get a deduction from <i>gross income</i> , for the amount (up to \$300) of qualified charitable contributions made in cash, during the tax year
Limitations on “cash” Charitable Contributions	Deduction for cash contributions to certain charitable organizations up to 60% of their contribution base (generally, adjusted gross income (AGI))	(1) Qualified cash contributions are allowed as a deduction only to the extent that the aggregate of those contributions does not exceed the excess of the individual's contribution base (AGI) over the amount of all other charitable contributions allowed as deductions for the contribution year (2) Taxpayer has elected to apply this provision Contributions to a Code Sec. 509(a)(3) supporting organization or a donor advised fund are <i>not</i> qualified contributions
Tax-excluded Education Payments by an Employer	An employee's gross income doesn't include up to \$5,250 per year of employer payments, in cash or kind, made under an educational assistance program for the employee's education	"Eligible student loan repayments" by the employer, whether paid to the employee or a lender, of principle or interest on any qualified higher education loan for the education of the employee, are included in the definition of “employer educational payments” that are excluded from an employee's gross income

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Employee Retention Credit	Not Applicable	(1) Refundable payroll tax credit for 50% of wages paid by eligible employers to certain employees during the COVID-19 crisis (2) Credit is not available to employers receiving a small business loan under the Paycheck Protection Program (PPPL) (3) The credit applies to wages paid after March 12, 2020 and before Jan. 1, 2021
Delay of payment of Employer Payroll Taxes	(1) Employers are required to withhold and deposit social security taxes and tax under the Railroad Retirement Tax Act (RRTA) from wages paid to employees Self-employed individuals are subject to self-employment (SECA) tax	(1) Taxpayers allowed to defer paying the “employer portion” of <u>the Social Security tax and Railroad Retirement tax</u> through the end of 2020 (2) Applies to deposits due on or after March 27, 2020 and ending on December 31, 2020 (3) Employer is liable and obligated to pay – 50% of the deferred taxes by Dec 31, 2021 50% of the deferred taxes by Dec 31, 2022 (4) Self-employed Individuals – defer 50% of Social Security taxes. Must pay – 25% of the deferred taxes by Dec 31, 2021 25% of the deferred taxes by Dec 31, 2022
Taxable Income Limitation for Net Operating Losses (NOLs)	NOL deduction is equal to the lesser of – (1) the aggregate of the NOL carryovers to such year and NOL carrybacks to such year, or 80% of taxable income computed without regard to the deduction allowable in this section	For tax years beginning – <u>before January 1, 2021</u> , taxpayers can take an NOL deduction equal to <i>100% of taxable income</i> (rather than the 80% limitation in present law) <u>after December 31, 2020</u> , taxpayers will be able to take: (1) 100% deduction of NOLs arising in tax years prior to 2018, and a deduction limited to 80% of modified taxable income for NOLs arising in tax years after 2017
Net Operating Loss (NOL) carrybacks	Except for farming losses and losses of property and casualty insurance companies, an NOL for any tax year is carried forward to each tax year following the tax year of the loss but isn't carried back to any tax year preceding the tax year of the loss	(1) NOLs arising in a tax year <u>beginning after Dec. 31, 2017</u> and <u>before Jan. 1, 2021</u> can be carried back to each of the 5 tax years preceding the tax year of such loss. It contains special rules for Real Estate Investment Trusts (REITs) and insurance companies

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Temporary repeal and modification of limitation on Excess	The aggregate trade or business deductions by noncorporate taxpayers	The excess active business loss limitation under the TCJA is retroactively turned off, for tax years beginning before December 31, 2020
Business Losses for Noncorporate taxpayers	for tax years beginning after Dec. 31, 2017 and ending before Jan. 1, 2026 is limited to the sum of the taxpayer's aggregate trade or business gross income or gain plus \$250,000 (\$500,000 for joint filers) (as adjusted for inflation)	
Corporate Minimum Tax Credit (MTC)	Corporations may claim outstanding MTCs (subject to limits) for tax years before 2021, at which time any remaining MTC may be claimed as fully refundable	(1) Corporations may claim 100% of outstanding MTCs in 2019, as fully refundable (2) Corporations can elect to take the entire refundable credit amount in 2018
Deductibility of Interest expense	Business interest deduction was limited to 30% of adjusted taxable income	(1) The limitation on the deductibility of interest expense is increased under Code Sec. 163(j)(1) from 30% to 50% for tax years beginning in 2019 and 2020 (2) There are special rules for Partnerships
Qualified Improvement Property (QIP)	Under the TCJA, QIP had a 39-year recovery period for nonresidential rental property. That made the QIP category ineligible for 100% Bonus Depreciation.	(1) A technical correction to the TCJA designates QIP as 15-year property for depreciation purposes. This makes QIP a category eligible for 100% Bonus Depreciation (2) QIP is assigned a 20-year class life for the Alternative Depreciation System
Limitations on Charitable Contributions	(1) Charitable contribution deduction is limited to 10% of corporation's taxable income (2) 15% limit applies to charitable contributions of food	Charitable contribution deduction, including charitable contributions of food, is limited to 25% of corporation's taxable income.

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Other Related Provisions		
Paycheck Protection Program (PPP)	Not Applicable	https://www.hmpc.com/news/paycheck-protection-program-many-business-owners-should-act-now
Emergency EIDL & Grants	Not Applicable	https://www.hmpc.com/news/economic-injury-disaster-loan-program-eidl/

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