How the CARES Act Cares About Your Business

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LONG BEACH, CA, UNITED STATES, June 19, 2020 /EINPresswire.com/ -- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) brought about many changes that taxpayers are sure to embrace. Laws affecting net operating loss carrybacks, qualified improvement property, business interest expense limitations, and noncorporate excess business losses are among the areas receiving much-needed revision. With some of the benefits, taxpayers can receive quick cash if they act now.

Net Operating Losses (NOLs)

Under the CARES Act, taxpayers can now carry back NOLs arising in taxable years beginning after December 31, 2017 and before January 1, 2021 to the preceding five years for refunds of prior taxes. The deadline to apply for a quick carryback refund is typically 12 months after the taxable year-end, but this has been extended an additional six months for years that began during 2018 and ended on or before June 30, 2019. These taxpayers must act immediately to take advantage of the extended quick refund procedures. An amended tax return must be filed to request a refund after the quick carryback period expires.

Qualified Improvement Property (QIP)

The depreciable life for QIP drops from 39 to 15 years, making it eligible for bonus depreciation. The change is retroactive to property placed in service after December 31, 2017. Taxpayers that have already filed tax returns with QIP placed in service have several options, such as:

- filing amended tax returns for the year QIP was placed in service;
- filing Form 3115, Application for Change in Accounting Method, to deduct additional depreciation on the taxpayer’s next tax return;
- filing an administrative adjustment request; or
- making late elections to forgo bonus depreciation on QIP.

Business Interest Expense Limitation

The business interest expense limitation (Section 163(j)), created by the Tax Cuts and Jobs Act (TCJA) generally limits business interest deductions to the business interest income plus 30% of the taxpayer's adjusted taxable income. Under the CARES Act, the limitation has been changed from 30% to 50%, allowing a greater interest expense deduction. The 50% limitation applies to tax years beginning in 2019 and 2020, with special rules for partnerships.

Noncorporate Excess Business Losses

Excess business loss rules have also been changed by the CARES Act. Section 461(l), created by the TCJA, limits the amount of nonbusiness income that can be offset by individuals with business losses from partnerships, S corporations or sole proprietorships. The CARES Act delays the effective date until tax years beginning after December 31, 2020. Taxpayers who have already filed a tax return containing an excess business loss can file an amended tax return, which may result in a refund. Additional rules and issues can affect each individual situation.

If you have questions or would like more information about how the CARES Act may affect your income taxes, please contact Jim Wilde at Windes

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