Summary of the Major Tax Provisions of the CARES Act

As previously reported, most adults are entitled to a check for $1,200, and also entitled to an additional $500 for each dependent child under age 17. Phase-out of eligibility for the $1,200 occurs between $75,000 and $99,000 for singles and $150,000 to $198,000 for married persons filing jointly.

Retirement plans: (a) Coronavirus-related distributions from retirement plans and IRAs are exempt from the 10% penalty of IRC §72(t); (b) a 401(k) plan, 403(b) plan or 457(b) plan can permit Coronavirus-related distributions up to $100,000; (c) Coronavirus-related distributions income is reported over 3 years, unless an election is made to be taxed in 2020; (d) Coronavirus-related distributions can be repaid to any degree within 3 years of receipt (and prevent taxation); (e) for the 180-day period beginning on March 27, 2020, 401(k) plans can increase loan eligibility amounts to the lesser of 100% of the account balance or $100,000; (f) existing loan repayment dates under 401(k) plans for payments due after March 26, 2020 and before 2021 are extended one year (this is not optional); and (e) the minimum required distribution requirement for IRAs, 403(b) plans and 457(b) plans is eliminated for 2020. A Coronavirus-related distribution is a distribution during 2020 to someone: (i) who contracted Coronavirus; (ii) whose spouse or dependent contracted Coronavirus; or (iii) who experiences adverse financial consequences as a result of being quarantined, furloughed or laid off or having work hours reduced due to the Coronavirus, being unable to work due to lack of child care due to Coronavirus, or the closing or reducing hours of a business owned or operated by the individual due to the Coronavirus.

Charitable contributions: (a) for 2020, each individual who does not itemize deductions can deduct charitable contributions up to $300 per eligible individual (so it appears that persons who are married filing jointly can take a $600 deduction); and (b) the ordinary 60% limitation on contributions to public charities is eliminated for 2020.

Employer payments for student loans principal and interest are excludable for 2020 up to $5,250.

Employers that don't take advantage of the forgivable loans provisions of the CARES Act (and the forgivable loans provisions are limited to employers negatively impacted with 500 or less employees) can potentially take a tax credit of 50% of compensation paid to each employee, on up to $10,000 of payroll per employee, if either the operation of the business is partially or fully suspended for a quarter during 2020 due to orders from a government authority limiting commerce, travel or group meetings, or the business experiences a substantial decline in gross receipts for a quarter (generally meaning a 50% reduction from the prior year). The credit is generally applied against payroll tax due to the IRS. For employers with more than 100 employees during 2019, the employee must not be working. This credit does not apply to paid leave wages (under the Families First Coronavirus Response Act). Wages include health care costs.

With the exception of employers that are entitled to debt forgiveness under the forgivable loans provisions of the CARES Act, 50 percent of the employer's Social Security tax that would ordinarily be due for the remainder of 2020 and 50 percent of SECA Social Security taxes that would ordinarily be due for the remainder of 2020, are not due until December 31, 2021. And, the other half of such Social Security taxes that would ordinarily be due for the remainder of 2020 are not due until December 31, 2022.

For 2020 and prior years, the net operating loss deduction rules are greatly liberalized, by allowing loss carrybacks and carryforwards to such years. Losses for 2018-2020 can be carried back 5 years. The excess business loss rules are postponed until after 2020. The 30% limitation on deductibility of business interest is increased to 50% for 2019-2020.

Businesses generally can expense interior capital improvements. This change is retroactive to January 1, 2018.