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Tax Updates: The Impact of the CARES Act on Businesses

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Carrie Sowders, CPA

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Carrie specializes in serving large and middle market companies, primarily in the consumer and industrial products sectors. She has exclusively practiced in tax since beginning her career in 1998. Prior to joining Aldrich in 2009, Carrie spent a decade with a national firm and oversaw the tax function of a publicly traded consolidated group of companies.



Dan Eller

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Dan Eller assists clients with tax and business law issues in both transactions and controversies. His transactional practice emphasizes choice of entity and formation, mergers and acquisitions, real property development, foreign bank account and asset reporting, and tax-exempt entity formation, qualification, and operation. Since the enactment of Oregon's Corporate Activity Tax in 2019, and, more recently, the CARES Act, Dan has been at the forefront of the implementation of those new taxes. Dan is a frequent speaker and writer on both and other tax topics. Dan is an adjunct professor at Lewis and Clark Law School and an adjunct instructor in the School of Business Administration at Portland State University.

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

- Signed into law March 27, 2020
- Several business provisions in the Act provide for:
 - Employer Payroll Tax Payment Delay
 - Employer Retention Credit
 - Changes to the Net Operating Loss (NOL) Rules
 - Alternative Minimum Tax (AMT) Credit
 - Technical Corrections to Qualified Improvement Property (QIP)
 - Changes to the Interest Limitation Rules
 - Increased Charitable Contribution Limitations

The information provided herein does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available are for general informational purposes only. Readers of this presentation should contact their attorney to obtain advice with respect to any particular legal matter. The information was updated as of April 15, 2020, and we recognize it may change. Please contact your Aldrich Advisor for the most up to date information for your situation.

Employer Payroll Tax Payment Delay

- All employers of all sizes may defer the payment of the employer's 6.2% share of Social Security payroll taxes
 - Starts from date of enactment to December 31, 2020
 - Payment of these taxes is due in equal parts on December 31, 2021, and December 31, 2022
 - Deferment is not allowed for employers that have had a Paycheck Protection Program (PPP) loan forgiven



Employee Retention Credits

- Employers can receive refundable quarterly payroll tax credit
 - If the employer is closed partially or fully due to government mandates
 - If the employer has a significant decrease in gross receipts
 - Credit is limited to 50% of qualifying wages paid to eligible employees
 - Employers are also not eligible for this credit if they received a PPP loan



Changes to the Net Operating Loss (NOL) Rules

- Corporate NOLs can be carried back up to five years (2018-2020)
- Suspension of 80% of limitation to allow taxpayers to fully deduct losses
- Special rules for Section 965(a) income inclusion years
- Excess business loss suspension retroactively to 2021

Qualified Improvement Property (QIP) Corrections

- Qualified Improvement Property (QIP) updated depreciable life to 15 years
- Eligible for 100% bonus depreciation
- Retroactive to original passage on the TCJA, eligible for 2018 and 2019 tax years



Changes to the Interest Limitation Rules

- Business interest temporarily reduced from 30% to 50% on applicable income
- Consider using 2019 adjustable tax income in computing 2020 limitation
- Change is valid for the 2019 and 2020 tax years

Increased Charitable Contribution Limitations

- Corporate taxpayers have increased deductible charitable contribution limitation from 10% to 25% of taxable income for 2020
 - Contribution must be made during the 2020 calendar year
 - Business must elect to receive the benefit of increased charitable deduction for any qualified contributions
 - Carryover of excess contributions for succeeding taxable years
 - Applies to enhanced deduction for food inventory



Alternative Minimum Tax (AMT) Credit

- Accelerated usage of previously generated AMT credits, offset tax liabilities
 - AMT credit carry forward from Tax Cuts and Jobs Act (TCJA)
 - Accelerate the AMT credit into 2019
 - Consider electing the entire remaining refundable credit in 2018



Let's Talk About It...



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