

# The CARES Act For Taxpayers

## FOR INDIVIDUALS

- The Act allows an individual to make a cash contribution of up to \$300 to qualifying charities and deduct the contribution “above-the-line” in computing adjusted gross income. This means the taxpayer receives the deduction in addition to the standard deduction. Only a taxpayer who does not itemize deductions may take advantage of this provision.
- For those taxpayers who itemize, the limits on deductions for charitable giving have been suspended for 2020. The CARES Act increases the allowable cash contribution deduction from 60% up to 100% of AGI for 2020. If a taxpayer had excess contributions, the taxpayer can carry those over to the next five years.

## FOR BUSINESS

- Corporate donors will see the limits on deductions for charitable contributions increase from 10% of adjusted taxable income to 25%.
- Corporations and pass-through entities (and the corresponding non-corporate taxpayer) are required to carry back net operating losses (“NOLs”) from 2018, 2019, and 2020, to each of the five taxable years preceding the NOL. Carrybacks of NOLs had been eliminated by the 2018 Tax Cuts and Jobs Act, but this new provision requires taxpayers to carry back qualifying NOLs to offset up to 100% of taxable income in the prior five taxable years, and obtain an immediate refund if taxes have already been paid for these prior taxable years. Taxpayers can elect out of the required carryback. Taxpayers can also continue to carry NOLs forward indefinitely to future taxable years to offset up to 80% of the taxable income. This benefit does not apply to insurance companies, REITS and taxpayers subject to deemed repatriation. Following up on this rule making, the IRS issued guidance on how certain elections are to be made (including foregoing the mandatory carryback) as well as extending the refund filing deadline by 120 days (after March 27) for taxable years ending in 2018 (generally speaking) that might have a statute of limitations problem to re-file for such year and obtain a refund.
- The application of “excess business losses,” which were recently introduced by the Tax Cuts and Jobs Act, is suspended for the 2018 - 2020 taxable years.
- Corporations with unused AMT credits may take the entire amount of such unused credit in 2018 and/or 2019, with an expedited process for receiving a tentative refund.
- Businesses are allowed to deduct interest expenses up to 50% of taxable income (with adjustments), up from 30%, for 2019 and 2020
- Businesses, especially in the hospitality industry, may immediately write off costs associated with improving facilities instead of having to depreciate those improvements over the 39-year life of the building.
- The IRS just released procedures – via a Q&A posting on their website – that allows taxpayers to fax (starting April 17) eligible refunds claims on Form 1045 (for corporations) or Form 1139 (for individuals or trusts/estates).



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