

Summary of Tax Provisions in the CARES Act's Phase Three Stimulus in Response to COVID-19

MARCH 26, 2020

On March 25, 2020, the Senate passed H.R. 748 titled the Coronavirus Aid, Relief, and Economic Security Act as Phase Three of the response to the COVID-19 pandemic. The Bill, a modified version of a legislative proposal released last week by Senate Republicans, is the product of a compromise between Democrats and Republicans. While the Bill provides economic stimulus through various means, a summary of the tax provisions are as follows:

- A payroll tax credit of 50% of wages paid to employees (up to \$10,000 per employee) for businesses impacted by COVID-19.
- Deferral of the employer portion of Social Security payroll taxes otherwise due in 2020 until December 31, 2021 for 50% of such taxes and December 31, 2022 for the other 50%.
- A temporary relaxing of the limitation on charitable deductions for individuals who itemize deductions and for corporations.
- A \$300 "above-the-line" charitable deduction for individuals who do not itemize deductions.
- A refundable tax credit of up to \$1200 (\$2400 for joint filers) plus \$500 for children under the age of 17 subject to a phase-out starting at income above \$75,000 (\$150,000 for joint filers) with a mechanism for advanced payments of the credit as soon as possible.
- Temporary relaxing on the 80% taxable income limitation of use of NOL carryforwards.
- A 5-year carryback period for NOLs incurred in 2018, 2019 and 2020.
- Temporary relaxing of the interest deduction limitation provisions of Section 163(j).
- A rollback of the limitation on deductions of excess business losses of noncorporate taxpayers under Section 461(l).
- A technical correct to fix the "retail glitch" allowing for immediate deductions for expenditures on qualified improvement property.
- Acceleration of use of corporate alternative minimum tax credits.

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