

This section covers:

- * Keeping your employees on payroll despite business shelter in place or reduced revenues
- * Delay of 941 employer social security and self-employed estimated tax payments until 2021 and 2022
- * Change in rules to net operating loss carryforwards and reinstating net operating loss carrybacks
- * Changes to limits on excess business losses
- * Modification on the business interest limitation from 30% to 50%
- * Change in the treatment of qualified improvement property previously depreciated at 39 years

Keeping Your Employees on Payroll Despite Business Shelter in Place or Reduced Revenues

Employers may receive a refundable credit (equal to 50% of the qualified wages paid up to \$10,000 per employee) against applicable employment taxes you normally would be submitting to the Feds by reducing the 941 payments paid between March 13 and December 31, 2020. The excess credit exceeding the applicable employment taxes, after adjusting for credits for hiring of veterans, research employment credits, Families First Act sick leave and family leave credits is treated as an overpayment and can be applied to the next quarter or refunded.

For employers with 100 or fewer employees, all wages qualify for the credit. For employers with more than 100 employees only wages paid to non-working employees are eligible for the credit.

An eligible employer is a business closed by order, or experiencing a significant decline in gross receipts by 50% or more over the same quarter in 2019. Eligibility ends when gross receipts exceed 80% of the same 2019 quarter. Employers may elect not to participate.

Employers are not eligible, if they are taking an SBA Paycheck Protection Loan authorized by the CARES act.

Delay of 941 Employer Social Security and Self-Employed Estimated Tax Payments Until 2021 and 2022

This amounts to an interest free loan on the employer portion (6.2%) of social security taxes and equivalent half of self-employment tax portion of estimated tax payments. These payments can be delayed by reducing the 941 payments and estimated tax payments. No penalty will be assessed if 50% of the delayed payments are made by December 31, 2021 and the remainder by December 31, 2022.

This does not apply if you have debt forgiveness under this Act from loans made through the Small Business Administration.

Change in Rules to Net Operating Loss Carryforwards and Reinstating Net Operating Loss Carrybacks

The act temporarily suspends the 80% limit on Loss carryforward allowed in any one year from losses carried forward from 2018 and 2017.

The act reinstates 5-year carryback of net operating losses from 2018, 2019, and 2020. The taxpayer may elect out of applying the carryback on the first taxable year ending after 3/27/20. i.e. 2020 Returns.

Changes to Limits on Excess Business Losses

2018 - 2025 there is no limit on excess farm losses

2021 - 2025 excess business losses are not allowed (business losses in excess of \$250,000 for a single taxpayer and \$500,000 on a joint return are not allowed)

Modifications on the Business Interest Limitation From 30% to 50%

For 2019 and 2020 the limit on business interest for applicable business with revenue of greater than \$25 million not exempted for other reasons, changes from 30% to 50%.

Individuals may elect out of this change. Partnerships may only elect out for years beginning in 2020. But partners may elect out for 2019 and 2020.

Change in the Treatment of Qualified Improvement Property Previously Depreciated at 39 years

100% bonus depreciation is now allowed for qualified improvement property placed in service after September 27, 2017, for the years 2018 and 2019 which was previously limited to 39-year depreciation.

Please reach out to your team at RainCity CPA PLLC if you believe these items affect you and we will be glad to assist you.