

DICOCCO & ASSOCIATES INC

Coronavirus Aid, Relief & Economic Security (CARES) ACT Business Income Tax Effects

Payroll Tax Credit refunds: Advance refunding of the payroll tax credits enacted in the Families First Coronavirus Response Act.

Payroll Tax delay: Reduced payroll taxes due during 2020

- 50% of 2020 payroll taxes are not payable until December 31, 2021;
- The remaining 50% will be due by December 31, 2022.

Employee Retention Credit: Eligible employers are allowed a credit against employment taxes for eligible wages paid.

Eligible employers consist of:

- Employers for which operation of the business was partially or fully suspended due to orders from an appropriate governmental authority (Non-essential businesses in NYS)

OR

- Employers with a decrease of at least 50% of gross receipts in a quarter, as compared to the same quarter in the prior year. The credit is allowed each quarter, until gross receipts exceed 80% of their gross receipts in the same quarter of the prior year.

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Eligible wages are split between two categories of employers and are limited to \$10,000 per employee.

- Employers with more than 100 employees – eligible wages are those paid to employees who are not providing services due to a suspension of the business or drop in gross receipts;
- Employers with less than 100 employees – eligible wages are all wages paid.
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The credit is taken against quarterly payroll taxes and is equal to 50% of eligible wages

- Maximum of \$5,000/employee

Corporate NOL changes:

- Net Operating Losses normally subject to a limitation of 80% of taxable income are temporarily allowed to offset 100% of taxable income for 2020.

- NOL Carrybacks occurring January 1, 2018 – December 31, 2020 are allowed to be carried back up to each of the five years preceding the loss.

Interest deduction limitation: Interest expense previously limited to 30% of Adjusted Taxable Income will be increased to 50% of Adjusted Taxable Income for 2019 & 2020 corporate taxpayers. The increased limitation applies only to 2020 for partnerships.