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Small Business Provisions of CARES Act

Other Small Business Provisions

In addition to the Forgivable Paycheck Protection Program Loans and the expanded Federal Disaster Loan provisions of the CARES Act, the Act provides additional assistance to businesses through the modification of other income tax related items.

Employee Retention Credits

Employers may be eligible for a refundable tax credit for the employer's share of the 6.2% Social Security tax. The potential credit is equal to 50% of the first \$10,000 of qualified wages paid to each employee, beginning on March 13, 2020. To be eligible, an employer must either:

- Have had operations fully or partially suspended because of a shut down order from a government authority related to COVID-19
- Have had gross receipts decline by more than 50% in a calendar quarter when compared to the same quarter in 2019.

Employers will remain eligible until the earlier of

- Gross receipts exceeding 80% of the same quarter in the prior year, or
- December 31, 2020

Please note that this credit is not available if the employer receives a covered loan from the SBA Forgivable Loan Program.

Payroll Tax Deferral

Employers may defer payment of the employer's share of the 6.2% Social Security tax on wages paid, beginning on March 27, 2020 and ending on December 31, 2020. The deferred amounts are payable in two installments, 50% being due on December 31, 2021, and the remainder 12 months later. A similar deferral is available for the equivalent portion of self-employment tax. However, this deferral is not allowed where the employer has had a covered loan forgive under the Forgivable SBA Loan Program.

Net Operating Losses

The CARES Act once again allows Corporations to carryback Net Operating Losses that under the current tax law could only be carried forward. In addition, for taxable years beginning before January 1, 2021, it allows 100% offset of taxable income with NOL carryovers and carrybacks, instead of limiting this offset to 80% as under current tax law.

Business Interest Deduction Limitation

The CARES Act modifies the limitation of the business interest deduction by allowing taxpayers to elect to increase the allowable business interest deduction from 30 to 50% of adjusted taxable income.

Suspension of Non-Corporate Loss Limitations

The Cares Act removes the limitation on excess business losses by a non-corporate taxpayer for tax years 2018-2020.