

# Small Business Notes

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## **Business Income Tax Effects of the CARES Act**

While the majority of attention has focused on the payroll protection loans of the CARES (Coronavirus Aid, Relief, and Economic Security) Act, that legislation contains important provisions affecting business income taxes.

- (1) All loans made under the SBA 7(a) program as Payroll Protection loans between February 15, 2020 and June 30, 2020 and not repaid will be excluded from federal income tax. That is, neither receipt of the loan nor loan forgiveness under the Act will be a taxable event to the business borrower.
- (2) The restriction on net operating losses that allowed them only to be carried forward was eliminated allowing NOLS to be carried back five years for tax years after December, 2017 and before January 2021. The limitation that the amount of losses could not exceed 80 percent of taxable income was also eliminated.
- (3) The limit on interest deduction was changed from 30 percent to 50 percent of EBITDA.
- (4) Credits available over several years as a result of the 2017 repeal of the Alternative Minimum Tax are available now as a refund or credit against the current tax year liability.

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