

US Coronavirus Aid, Relief, and Economic Security Act: Summary of Business Incentives

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On March 27, 2020, President Trump signed into law a historic \$2.2 trillion USD stimulus deal called the [Coronavirus Aid, Relief, and Economic Security Act](#) (“CARES Act”). This marks the largest economic stimulus in US history in response to the COVID-19 pandemic, almost tripling the \$800 billion measure signed by former President Barack Obama following the 2008 financial crisis. Now that the CARES Act is law, all of its extensive elements are in effect. These include:

- Expanding worker and unemployment benefit protections;
- Stimulus payments to US persons with valid SSNs, whether they live in the United States or abroad;
- Government loans to struggling industries;
- Small business loans; and
- Grants to the healthcare industry and to state and local governments.

While the CARES Act builds on earlier rounds of administrative tax relief programs that included delay of certain filing deadlines for both individuals and businesses, it provides much more far-reaching and vigorous support. Given the broad scope of the law, we have bifurcated the CARES Act’s provisions to provide clarity on how they apply to individuals and businesses.

Some of the most relevant business-focused provisions are summarized below:

1. Under the Tax Cuts and Jobs Act (TCJA), businesses could not carry-back net operating losses (NOLs) but could use them to reduce taxable income going forward for an unlimited time. Additionally, the TCJA limited the amount of NOLs that a corporation could take to 80 percent of its taxable income. The CARES Act suspends the 80 percent limitation and also allows businesses to carry back their NOLs from 2018, 2019, or 2020, five years.
2. The TCJA limited the interest deduction that a corporation could take to 30 percent of earnings before interest, tax, depreciation, and amortization (EBITDA). The CARES Act retroactively increases that limitation to 50 percent of EBITDA for tax years 2019 and 2020. This new policy allows Canadian businesses with cross-border operations to increase funding to their US operations and enhances tax-efficient repatriation of future profits back to Canada.
3. The CARES Act provides a refundable tax credit for 50% of the wages paid by employers whose businesses are (1) fully or partially suspended because of virus-related shutdowns, or (2) experience a 50 percent or more decrease in gross receipts when compared to the same quarter last year. For small- to medium-sized business that had 100 or fewer employees, the credit is for all employee wages. For businesses with more than 100 employees, the credit is available for employees who are kept on payroll but are not able to work due to the Covid-19 crisis.
4. Businesses can access emergency lending through the US Treasury’s Exchange Stabilization Fund. A firm taking a loan must not engage in stock buybacks for the duration of its loan plus one year and must retain at least 90 percent of its employment levels as of March 24, 2020. Loans also come with terms limiting employee compensation and severance pay. Emergency lending

will be overseen by a Congressional Oversight Commission and a Special Inspector General.

5. The Paycheck Protection Program allows small employers with 500 employees or fewer (as well as those that meet the current Small Business Administration size standards) to receive loans equal to 250% of their average monthly payroll, capped at a maximum of \$10 million. If the employer maintains its payroll, then the portion of the loan used for covered payroll costs, interest on mortgage obligation, rent, and utilities is forgiven.[\[1\]](#)
6. The CARE Act corrects a technical error in the TCJA where business and individuals can now claim 100% depreciation for properties classified under “Qualified Improvement Property” to corporate buildings as 15-year property. This bonus depreciation also works retroactively, looking as far back as December 31, 2017.

Many members of Congress have mentioned that this is only the beginning, and additional assistance and bills will be negotiated during these evolving times. Importantly, additional guidance from the IRS and Treasury department is forthcoming on how to claim and/or access the various business incentives so stay tuned on additional guidance on the details.

[\[1\]](#) Covered payroll costs include salary, tips, and employee group healthcare benefits, and works retroactively to February 15, 2020, to help bring workers who may have already been laid off back onto payrolls.