

TAXTALK

U.S. \$2.2T Coronavirus Stimulus Package Signed into Law

On March 27, 2020, President Trump signed the “Coronavirus Aid, Relief and Economic Recovery Act” (“**CARES ACT**”) into law.

This bipartisan bill is very similar to the Senate and House bills that were passed during the past week by both houses.

The CARES ACT includes substantial federal tax and non-tax measures, for both businesses and individuals.

Tax Measures for Businesses:

- Allowing net operating losses (tax losses) arising in 2018, 2019 and 2020, to be carried back five years and suspending the 80 percent taxable income limitation until 2021. (The 80 percent taxable income limitation was part of US Tax Reform which was effective for tax years ending after January 1, 2018);
- Allowing corporations to claim refunds for all remaining Alternative Minimum Tax (“AMT”) Credits in 2018 and 2019 (AMT was repealed for businesses After Tax Reform);
- Increasing the taxable income threshold for interest deduction from 30 percent to 50 percent for tax years beginning in 2019 and 2020, and allowing taxpayers to use 2019 taxable income to calculate the 2020 limit;
- Increasing the taxable income limit on corporate charitable deductions from 10 percent to 25 percent;
- Creating a new refundable employee retention credit of up to \$5,000 for paying wages while business operations are suspended, or if gross receipts for a business drop by 50 percent;
- \$10,000 emergency grants to small-business owners.

Tax Measures for Individuals:

- Middle-class and low-income Americans to receive \$1,200 cheques for single individuals and \$2,400 for married filing joint returns (more for people with children);
- Waiving early withdrawal penalties for up to \$100,000 in COVID-19 related withdrawals from qualified retirement accounts, and allowing taxpayers to pay back or included ratably in income over 3 years;
- Doubling the amount taxpayers can borrow from certain qualified retirement accounts up to \$100,000;
- Removing the Adjusted Gross Income (“AGI”) limit on individual itemized deductions for charitable contributions in 2020;
- Allowing an above-the-line deduction for up to \$300 for charitable contributions for taxpayers who do not itemize deductions in 2020.

The above tax measures are some of the general provisions affecting businesses and individuals. The CARES ACT is much more voluminous and contains over 800 pages.

The provisions are complex and Congress is yet to release regulations for most Sections. We will advise you accordingly.

Please contact Basil Punit, U.S. and Cross-border tax partner at bpunit@mgca.com or call 647-726-0587 or cell at 416-995-4778 if you have questions.

A memorandum of this nature cannot be all-encompassing and is not intended to replace professional advice. Its purpose is to highlight tax planning possibilities and identify areas of possible concern. Anyone wishing to discuss the contents or to make any comments or suggestions about this TaxTalk is invited to contact one of our offices.

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