Tax Provisions of the CARES Act

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ISSUE:

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INFORMATION:

RECOVERY REBATES (CASH PAYMENTS) FOR INDIVIDUALS

<u>Recovery Rebates for Individuals. (Sec. 2201)</u>

- The government will provide recovery rebates (cash payments) of $1200 per individual/$2400 per couple. The amounts increase by $500 per child. The payments start to phase out when income exceeds $75,000 per individual/$150,000 per couple. The payment is completely phased out when a single taxpayers' income exceeds $99,000 or $198,000 for couples. Individuals who file/filed an income tax return in 2018 or 2019 will receive payments automatically. An alternate method of payment will be set up for people who did not file tax returns.

TAX PROVISIONS IMPORTANT TO FARM AND RANCH BUSINESSES

<u>Modifications for net operating losses (NOL) (Sec. 2303)</u>)

- Businesses will be able to use net operating losses from 2018, 2019 and 2020 to reduce taxes that were paid for the previous five years. The taxable income limitation is lifted to allow to allow the NOL to fully offset income. Currently, net operating losses can only be applied to future tax years except for farming losses that have a two-year carry-back. Businesses with NOLs will be able to refile their taxes for the previous five years and receive tax refunds from recalculated taxes. This infusion of cash will help farm and ranch businesses pay employees and cover operating expenses.

<u>Business Interest deduction Increased for larger ag businesses. (Sec. 2306)</u>

- The amount of business interest that large ag businesses can deduct is increased from 30 percent of taxable income to 50 percent of taxable income for 2019 and 2020. Currently, farm and ranch businesses with gross receipts of $25 million or less are able to fully deduct their business expenses. Increasing the deduction for larger businesses will make it easier for large businesses to purchase needed inputs.

TAX PROVISIONS IMPORTANT TO AGRICULTURAL EMPLOYERS

Delayed payment of employer payroll taxes (Sec. 2302)

- Employers will be able to defer the employer share (6.2 percent) of Social Security payroll taxes that would have been due throughout 2020. Self-employed individuals will also be able to defer 6.2 percent of Social Security taxes owed. Half the deferred amount will be due on December 31, 2021, with the other half due on December 31, 2022. The delay in tax payments will allow employers to retain more of their earnings to cover expenses and meet payroll.

Tax credits for employee retention (Sec. 2301)

- Starting March 13 and through 2020, employers are granted credits against payroll taxes for 50 percent of up to $10,000 of wages (including health benefits) per employee. To be eligible a business had to have partially or fully shut down OR experienced a 50 percent reduction in gross receipts. Calculations are determined quarterly. For employers with more than 100 full-time employees, qualified wages are wages paid to employees when there is a business shut-down. For employers with 100 or fewer employees, employee wages qualify for the credit whether the business is operating or not. If the credit exceeds the amount of payroll taxes owed, a government payment will be issued to the employer. This provision will help employers retain employees and cover payroll when income is reduced or nonexistent.

Employer payments for student loans (Sec. 2206)

- During 2020, employers may provide up to $5,250 annually to an employee for student loan repayment. The employee will not have to pay taxes on the amount.

OTHER TAX PROVISIONS FOR INDIVIDUALS

Penalties waived for retirement fund withdrawals (Sec. 2202)

- Individuals will be able to withdraw up to $100,000 from retirement accounts without penalty. Taxes on the withdraw would be payable over three years or individuals have the option to recontribute the sum within three years.

No mandatory withdrawals from retirement plans (Sec. 2203)

- Individuals will not be required to make mandatory withdrawals from retirements accounts in 2020 so that they are not forced to liquidate investments at low values.

Deductions for charitable contributions. (Sec. 2204)

- Individuals will receive a tax benefit for charitable contributions of up to $300 regardless of whether or not they itemize their deductions. The limitation on individual charitable donations by those who itemize does not apply for 2020. The deduction for contributions of food inventory is increased from 15 percent to 25 percent.