



## State & Federal COVID-19 Tax Policy Fact Sheet and Q&A

Update April 17,2020; 1:22 PM

### Corporate Tax Law Changes

#### *Section 163(j) Modification of Business Interest Limitation*

For taxable years beginning 2019 and 2020, the federal CARES Act increases limitations added to Section 163(j) through the 2017 Tax Cuts and Jobs Act (TCJA) from 30 percent of the taxpayer's adjusted taxable income (ATI) to 50percent, allowing a reduction in tax payments to help retain employees and increase business liquidity.

Taxpayers other than partnerships may choose for the new 50 percent limitation to apply for 2019, 2020 or both. If a taxpayer has a lower ATI in 2020, the taxpayer may elect to use the 2019 ATI to maximize reductions through the new provision.

Note on partnerships: The increase of TCJA limitations to 50 percent for partnerships only applies beginning in 2020, although half of the disallowed business interest expenses in 2019 will be eligible for deduction in 2020 without regard to limitations in Section 163(j).

#### *Modifications for Net Operating Losses*

The CARES Act allows losses arising in tax years between December 31, 2017 and January 1, 2021 to be carried back up to five years and permits these losses to completely offset prior-year taxable income in order to provide companies incurring net operating losses a refund for prior year taxes.

Note on Real Estate Investment Trusts: net operating losses cannot be carried back to any year before the year of loss.

#### *Modification of Corporate Alternative Minimum Tax (AMT)*

Taxpayers with AMT credits available through 2021 due to 2017 TCJA changes may now recover their entire refundable credit amounts faster in order to access additional cash flow.

### New Federal Tax Relief Programs through CARES Act

#### *Payroll Tax Deferral*

Employers may delay payment of the employer share of payroll taxes through the end of 2020 as long as the deferred taxes are paid back in equal installments over two years where the first payment is

made by December 31, 2021 and the second payment due by December 31, 2022. An equivalent deferral is available for self-employed payers.

\*This deferral is not available for businesses receiving debt forgiveness under the Paycheck Protection Program.

#### *Payroll Tax Credit*

If a company's operations were fully or partially suspended or if the company can provide gross receipts showing a decline of more than 50 percent compared to the same quarter in the past calendar year, the company will qualify for a refundable payroll tax credit equal to 50 percent of qualified wages beginning March 13 through December 31, 2020.

The maximum credit amount per employee ends up at \$5,000 because the credit is limited to the first \$10,000 in wages.

Note on definition of "Qualified Wages": For employers with more than 100 full-time employees, qualified wages mean wages paid to employees when they are not working due to the COVID-19 pandemic whereas all wages are considered qualified for employers with 100 or fewer employees.

\*This credit is not available for businesses receiving debt forgiveness under the Paycheck Protection Program.

#### **Massachusetts Personal Income Tax Update**

The Commonwealth of Massachusetts has extended the state personal income tax filing and payment deadline from April 15 to July 15, consistent with the federal government.

#### **Massachusetts Municipal Tax Rule Update**

The Massachusetts Legislature recently enacted legislation allowing municipalities to:

- Waive late payment penalties for fourth-quarter tax bills previously due on May 1.
- Extend tax bill due dates from April 1 to June 1.
- Extend property tax exemption and deferral deadlines to June 1.

Municipalities voting to accept local option property assessment statutes must notify the Massachusetts Division of Local Services through forms available on the state website.

## Who can I call at AIM?



AIM members may contact Brad MacDougall, Senior Vice President for Government Affairs at 617-262-1180 or [bmacdougall@aimnet.org](mailto:bmacdougall@aimnet.org).

In case you missed last week's webinar "State & Federal Tax Implications of COVID-19 [you can watch the recording free of charge.](#)

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