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Division B of the Coronavirus Aid, Relief, and Economic Security (CARES) Act—Relief for Individuals, Families, and Businesses

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March 20, 2020

Congressional Research Service
7-....
www.crs.gov
R46279

Congress is considering a number of proposals that seek to mitigate the economic effects of the COVID-19 pandemic. One such proposal, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (S. 3548), was introduced in the Senate on March 19, 2020. Division B of S. 3548 includes tax relief for individuals and businesses, including

- a one-time rebate to taxpayers;
- a delay of the individual tax filing deadline for tax year 2019;
- modification of the tax treatment of certain retirement fund withdrawals and charitable contributions;
- a delay of employer payroll taxes and taxes paid by certain corporations; and
- a variety of changes to the tax treatment of business income and net operating losses.

This is the latest in a series of legislative packages addressing the COVID-19 pandemic. Two bills have already been enacted into law: the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (P.L. 116-123) and the Families First Coronavirus Response Act (P.L. 116-127).

This report briefly summarizes the major provisions in Division B of S. 3548 (**Table 1**).[1] Links to CRS resources that offer additional information are provided. Provision summaries reflect the language in S. 3548 as introduced; legislative discussions concerning S. 3548 and other stimulus proposals are ongoing.

[1] Other tax-related provisions included in other divisions of the CARES Act, and not discussed in this report, include changes that would temporarily suspend excise taxes related to aviation; provide a temporary tax exemption for certain telehealth services; temporarily include certain over-the-counter medical costs as qualified medical expenses for tax purposes; extend the sequestration on direct spending by one year, to 2030; and temporarily provide advance refunding of payroll tax credits for sick leave and paid family leave. For more on the sick and family leave payroll tax credits, see CRS Insight IN11243, *Tax Credit for Paid Sick and Family Leave in the Families First Coronavirus Response Act (H.R. 6201) (Updated)*, by Molly F. Sherlock.

Table 1. Provisions in Division B of the CARES Act (S. 3548)

Provision	Description	CRS Resources
Title I—Rebates and Other Individual Provisions		
2020 recovery rebates for individuals	Credit against 2020 income taxes, but advanced, generally based on 2018 income tax returns. Credit equals the greater of (1) taxpayer's *net income tax liability* up to $1,200 ($2,400 for married joint filers). Net income tax liability is income tax liability *before* the child tax credit and refundable tax credits (like the EITC); or (2) $600 ($1,200 for married joint filers) if the taxpayer has *qualifying income*. To have qualifying income, taxpayer must have either (a) at least $2,500 in total of earned income, social security income, or veterans' benefits, or (b) gross income above the taxpayer's standard deduction and $1 of net income tax liability. Taxpayers eligible for the credit can also receive $500 for each child eligible for the child credit. The total credit phases out at a rate of 5% of adjusted gross income (AGI) above $75,000 ($150,000 for married joint returns). All individuals must have social security numbers. Taxpayers must have filed a 2018 return (or file a 2019 return if they did not file a 2018 return) in order to get a rebate in 2020. Otherwise, it can be claimed on a 2020 income tax return.	For more, see • CRS Insight IN11255, *COVID-19 and Stimulus Payments to Individuals: How Did the 2008 Recovery Rebates Work?*, by Margot L. Crandall-Hollick. • CRS Insight IN11247, *COVID-19 and Stimulus Payments to Individuals: Considerations on Using Advanced Refundable Credits as Economic Stimulus*, by Margot L. Crandall-Hollick. • CRS Insight IN11256, *COVID-19 and Direct Payments to Individuals: Historical Precedents*, by Gene Falk. • CRS Insight IN11234, *Tax Cuts as Fiscal Stimulus: Comparing a Payroll Tax Cut to a One-Time Tax Rebate*, by Molly F. Sherlock and Donald J. Marples. • CRS Report RS21126, *Tax Cuts and Economic Stimulus: How Effective Are the Alternatives?*, by Jane G. Gravelle.
Delay of certain deadlines	Tax filing deadline extended from April 15, 2020, to July 15, 2020, to align with the extended payment deadline.[a] Allows individuals required to make estimated tax payments to postpone such payments until October 15, 2020.	For more on IRS administrative relief for tax filing deadlines following disasters, see • CRS Report R45864, *Tax Policy and Disaster Recovery*, by Molly F. Sherlock and Jennifer Teefy.
Special rules for use of retirement funds	For retirement plan distributions, the provision provides an exception to the 10% early withdrawal penalty for distributions up to $100,000 for coronavirus-related purposes. Income from such distributions would be recognized over three years, and taxpayers can recontribute funds to an eligible retirement plan within three years without regard to the year's contribution cap. Loan limits from retirement plans are increased from $50,000 to $100,000 and repayment deadline is delayed.	For more on disaster-related special retirement fund access, see • CRS Report R45864, *Tax Policy and Disaster Recovery*, by Molly F. Sherlock and Jennifer Teefy. • CRS In Focus IF11447, *COVID-19: Social Insurance and Other Income-Support Options for Those Unable to Work*, coordinated by Laura Haltzel.

Provision	Description	CRS Resources
Allowance of partial above-the-line deduction for charitable contributions	An above-the-line deduction for cash contributions of up to $300 is made available for taxpayers not itemizing deductions. This deduction would be allowed to taxpayers who do not itemize deductions.	For more on the tax treatment of charitable contributions, see • CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock. • CRS In Focus IF11022, *The Charitable Deduction for Individuals*, by Margot L. Crandall-Hollick and Molly F. Sherlock.
Modification of limitations on charitable contributions during 2020	Income limits apply to both individual and charitable contribution deductions. This provision would suspend the 50% of AGI limit on cash contributions for individuals for 2020. The corporate deduction limit would be increased from 10% of taxable income to 25% for cash contributions. The limit on the deduction of food inventory would be increased from 15% to 25%. The increased limits do not apply to contributions to private foundations and donor-advised funds.	For more on disaster-related changes in charitable giving limits, see • CRS Report R45864, *Tax Policy and Disaster Recovery*, by Molly F. Sherlock and Jennifer Teefy. For more on the tax treatment of charitable contributions, see • CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock. • CRS In Focus IF11022, *The Charitable Deduction for Individuals*, by Margot L. Crandall-Hollick and Molly F. Sherlock.
Title II—Business Provisions		
Delay of estimated tax payments for corporations	Corporations would be allowed to postpone estimated tax payments to October 15, 2020.	
Delay of payment of employer payroll taxes	Employers and self-employed individuals would be able to defer, or postpone, the employer share of the Social Security payroll tax. Deferred tax liability would be paid in two installments: one due by December 31, 2021, and the second by December 31, 2022. The Social Security trust funds would not be affected.	For more, see • CRS Insight IN11260, *COVID-19 Economic Stimulus: Business Payroll Tax Cuts*, by Molly F. Sherlock and Donald J. Marples.
Modifications for net operating losses	The provision would allow carrybacks for up to five years for net operating losses (NOLs) recorded in tax years 2018, 2019, and 2020. NOL carryback capabilities were repealed by the 2017 tax revision (P.L. 115-97), and were previously allowed for up to two years. This provision would also temporarily lift the income limitation applicable to the corporate income tax treatment of NOLs under current law.	For more, see • CRS Insight IN11240, *COVID-19: Potential Role of Net Operating Loss (NOL) Carrybacks in Addressing the Economic Effects*, by Mark P. Keightley.

Provision	Description	CRS Resources
Modification of limitation on losses for taxpayers other than corporations	This provision allows taxpayers not subject to the corporate income tax that incur NOLs, including pass-through businesses and sole proprietorships, to receive the temporary NOL carryback capabilities provided to corporations, as described above.	For more, see • CRS Insight IN11240, *COVID-19: Potential Role of Net Operating Loss (NOL) Carrybacks in Addressing the Economic Effects*, by Mark P. Keightley.
Modification of credit for prior year minimum tax liability of corporations	The corporate alternative minimum tax (AMT) was repealed by the 2017 tax revision (P.L. 115-97). Corporations having AMT credits (for prior year AMT payments) were allowed to claim the credits against regular tax liability for tax years through 2021. This provision makes these credits refundable.	For more on the corporate AMT before its repeal, see • CRS In Focus IF10705, *Tax Reform: The Alternative Minimum Tax*, by Donald J. Marples.
Modification of limitation on business interest	The 2017 tax revision (P.L. 115-97) reduced the limit on the deduction for net interest from 50% to 30% of adjusted taxable income (income before taxes, interest deductions, and depreciation, amortization or depletion deductions). P.L. 115-97 also eliminated the rule that restricted net interest deduction limits to firms with a debt-to-equity ratio above 1.5. These revisions were adopted, in part, to reduce profit-shifting by multinational corporations (by borrowing in the United States). This provision increases the limit to 50% for 2019 and 2020.	For more, see • CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples.
Technical amendments regarding qualified improvement property	The 2017 tax revision (P.L. 115-97) increased the period for deducting the cost of qualified improvement property (leasehold, restaurant, and retail property improvements) from 15 years to 39 years. This change was apparently a technical error that also prevented these investments from being expensed immediately (sometimes referred to as bonus depreciation). This provision allows these investments to be expensed.	For more, see • CRS In Focus IF11187, *Qualified Improvement Property and the 2017 Tax Revision (P.L. 115-97)*, by Gary Guenther.
Installments not to prevent credit or refund of overpayments or increase estimated taxes	As part of the transition to a new international tax regime under the 2017 tax revision (P.L. 115-97), firms were required to pay taxes on their prior untaxed foreign earnings (the repatriation tax). Firms could elect to pay these taxes in eight annual installments. Due to what was apparently a technical error, firms that overpaid their regular taxes in 2017 could not receive a refund if they owed taxes on repatriations. This provision allows firms to receive refunds for 2017.	For more, see • CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples.

Restoration of limitation on downward attribution of stock ownership in applying constructive ownership rules	The 2017 tax revision (P.L. 115-97) treats stock owned by a foreign person as attributable to a U.S. entity owned by the foreign person ("downward attribution"). As a result, stock owned by a foreign person may generally be attributed to (1) a U.S. corporation, 10% of the value of the stock of which is owned, directly or indirectly, by the foreign person; (2) a U.S. partnership in which the foreign person is a partner; and (3) certain U.S. trusts if the foreign person is a beneficiary or, in certain circumstances, a grantor or a substantial owner. Downward attribution rules can result in additional tax to the U.S. entity under rules taxing certain income of controlled foreign corporations. This provision limits the application of the downward application rules to a U.S. corporation owning, directly or indirectly, 50% of the value of stock.	For more, see • CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples.

Source: CRS analysis of the CARES Act (S. 3548, as Introduced).

a. In guidance released on March 18, 2020, the U.S. Department of the Treasury announced that the tax payment deadline had been extended from April 15, 2020, to July 15, 2020. This guidance did not extend the April 15, 2020, filing deadline. See the U.S. Department of the Treasury's March 18, 2020, press release, "Treasury and IRS Issue Guidance on Deferring Tax Payments Due to COVID-19 Outbreak," at https://home.treasury.gov/news/press-releases/sm948. Subsequently, the Treasury announced via tweet that the tax filing deadline would also be moved to July 15, 2020.

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