



CONGRESSMAN DWIGHT EVANS

PROUDLY SERVING THE RESIDENTS OF THE 3RD CONGRESSIONAL DISTRICT

TAX BENEFITS FOR SMALL BUSINESSES

The **CARES ACT** passed in March, along with previous tax legislation, provides new and useful tax benefits for small businesses that are suffering from the recent economic downturn.

QUALIFIED IMPROVEMENT PROPERTY EXPENSES

- ★ Businesses can now write off Qualified Improvement Property (QIP) expenses—any improvement to a building’s interior—immediately instead of deducting them over a 15-year period.

SECTION 139 DISASTER RELIEF PAYMENTS

- ★ Employers can provide employees with tax-free benefits related to the pandemic.
- ★ Normally, if your employer were to cover the cost of a hospitalization or funeral expense, that would be treated as taxable income.
- ★ Because COVID-19 is a national federal disaster under the Stafford Act, these benefits are excluded from taxable income.

NET OPERATING LOSS CARRYBACKS

- ★ Net operating losses (NOL) arising in a tax year beginning in 2018, 2019, or 2020 can be carried back five years.
- ★ The taxable income limitation to allow an NOL to fully offset income is temporarily removed.
- ★ Pass-through business owners can claim 2018 and 2019 business losses against their personal taxes ([IRS Guidance – WWW.IRS.GOV/PUB/IRS-DROP/RP-20-23.PDF](https://www.irs.gov/pub/irs-drop/rp-20-23.pdf)).

EXCESS BUSINESS LOSSES

- ★ Pass-through businesses and sole proprietorships can now deduct for excess business losses for tax years beginning in 2018 through 2020.

INTEREST EXPENSE DEDUCTION INTEREST

- ★ Temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30% limitation to 50% of taxable income (with adjustments) for 2019 and 2020.
- ★ In addition, for tax years beginning in 2020, taxpayers may elect to use their 2019 adjusted taxable income figure in determining the 50% limitation.

DEPRECIATION OF QUALIFIED IMPROVEMENT PROPERTY

- ★ Correcting an error in the Tax Cuts and Jobs Act, businesses—especially those in the hospitality industry—can now immediately write off costs associated with improving facilities instead of having to depreciate those improvements over the 39-year life of the building.

For more information, or to schedule an appointment, please call my District Office at 215-276-0340 or visit my website at WWW.EVANS.HOUSE.GOV. You can follow my updates on Facebook, Twitter, & Instagram @REPDWIGHTEVANS.