



HOW BUSINESS LOSSES AFFECT YOUR TAX RETURN

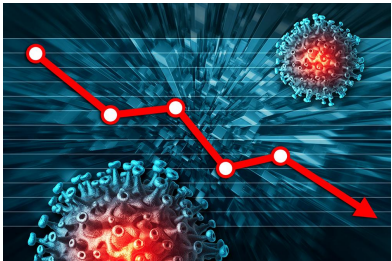
Many businesses may have incurred a loss in 2020 due to the pandemic-induced economic slowdown. When expenses exceed revenue, a loss is generated. How these losses affect your business tax return depends on many factors.

CARRYBACK OR CARRYFORWARD

Under the CARES Act, businesses that incurred a loss for 2020 can carryback that loss five years. That means an amended tax return would need to be filed. Carrying back the loss could result in a refund of taxes paid in prior years.

However, if carrying back the loss won't benefit you, because your business already had a loss, then you can carry the loss forward indefinitely to offset income in future years.

Note that carrying back losses will not be an option for 2021 as the rules return to pre-CARES Act standards, which do not allow carry backs. Any loss for 2021 can only be carried forward. And there are limits to the amount of the loss that can be used in future years.




EXTRAORDINARY LOSSES

Business losses are not limited to operating losses. Businesses that incur extraordinary losses can also claim these on tax returns. Losses for things like fires and natural disasters can generate a loss for your business. Any insurance proceeds received from a loss will reduce your deduction.

Tax implications for business losses can be tricky. Speak with your tax professional to ensure your loss is calculated correctly.

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