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The new Coronavirus Aid, Relief, and Economic Security (CARES) Act provides more flexibility for small businesses coping with the COVID-19 outbreak. Notably, it includes several provisions liberalizing rules for business write-offs.

Carry back NOLs. Prior to the Tax Cuts and Jobs Act (TCJA), a business could carry back a net operating loss (NOL) for two years before carrying it forward for up to 20 years. But the TCJA repealed the carryback provision, beginning in 2018, while allowing NOLs to be carried forward indefinitely based on a limit of 80% of taxable income. Now the CARES Act undoes these TCJA changes retroactive to 2018. As a result, a small business might file amended returns for the 2018 and 2019 tax years.

Offset taxable income. The CARES Act postpones another TCJA change for certain business owners that went into effect in 2018. Under the TCJA, an NOL could not be

used to offset taxable income of a non-corporate taxpayer—including individuals,

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business interest deductions to 50% of ATI for 2019 and 2020. Note: A special election is required for the 2019 tax year.

Income Tax

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