

Names of Group Members \_\_\_\_\_

---

In late March 2020, KPMG published a 30-page report entitled *Tax Provisions in the CARES Act (COVID-19 “Phase 3” Response): Preliminary Analysis and Observations*. This pdf document describes tax changes made by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and is publicly available on KPMG’s website.

In late December 2020, PwC published a 6-page summary of tax provisions in the Consolidated Appropriations Act (CAA) of 2021, entitled *Year-end government funding bill includes COVID-19 economic relief and tax extenders*. This pdf document is publicly available on PwC’s website.

The questions below explore key aspects of these two relief acts using the KPMG and PwC reports as source documents. Download the reports and use them to complete this exercise.

### Required

Respond to each of the questions below using either the KPMG report (CARES Act questions) or the PwC report (CAA questions). Your response should be in your own words – DO NOT simply copy text from the reports.

1. Federal payroll taxes are paid by both employers and employees, and include both a Social Security tax of 6.2 percent and a Medicare tax of 1.45 percent.
  - a. For which portion of these taxes is the 2020 payment delayed by the CARES Act?
  - b. When are the delayed taxes now required to be paid?
  - c. Why is this provision beneficial to businesses adversely impacted by COVID-19?
2. The CARES Act creates a refundable payroll tax credit (employee retention credit) for wages paid by certain employers to employees during the COVID-19 crisis.
  - a. In general, how are qualified wages defined by the CARES Act for purposes of this credit?
  - b. Under the CARES Act, what is the maximum credit amount that can be claimed per employee?
  - c. How does the CAA modify the credit rate, maximum credit amount, and period of time for which the employee retention credit can be claimed?

- d. Why is this provision beneficial to businesses adversely impacted by COVID-19?
- 3. The Tax Cuts and Jobs Act of 2017 imposed a limitation on the deductibility of business interest expense.
  - a. In general, how does the CARES Act modify this limitation?
  - b. What tax years are impacted by this change?
  - c. Why is this provision beneficial to businesses adversely impacted by COVID-19?
- 4. The Tax Cuts and Jobs Act of 2017 eliminated the carryback of net operating losses for NOLs incurred after 2017.
  - a. How does the CARES Act modify the availability of NOL carrybacks?
  - b. Why is this provision beneficial to businesses adversely impacted by COVID-19?
- 5. The Tax Cuts and Jobs Act of 2017 eliminated the corporate alternative minimum tax and provided for a refundable AMT credit.
  - a. In general, how does the CARES Act modify the timing for claiming the refundable AMT credit?
  - b. Why is this provision beneficial to businesses adversely impacted by COVID-19?
- 6. The Tax Cuts and Jobs Act of 2017 created an excess business loss limitation for certain losses incurred after 2017.
  - a. How does the CARES Act modify this limitation?
  - b. What tax years and what taxpayers are impacted by this change?
  - c. Why is this provision beneficial to businesses adversely impacted by COVID-19?
- 7. Charitable contributions are generally deductible, subject to a number of limitations.
  - a. How did the CARES Act change the deductibility of charitable contributions?
  - b. Under the CARES Act, what tax years and what taxpayers are impacted by this change?
  - c. How does the CAA modify these charitable contribution changes?

- d. Why are these provisions beneficial to taxpayers adversely impacted by COVID-19?
- 8. What excise tax relief does the CARES Act provide to the airline industry?
- 9. The CAA makes temporary changes to the deductibility limits on business meals.
  - a. Explain the nature of these changes.
  - b. For what time periods do these changes apply?
  - c. What guidance do you expect will be issued by the IRS related to these changes?  
Provide examples to explain your answer.