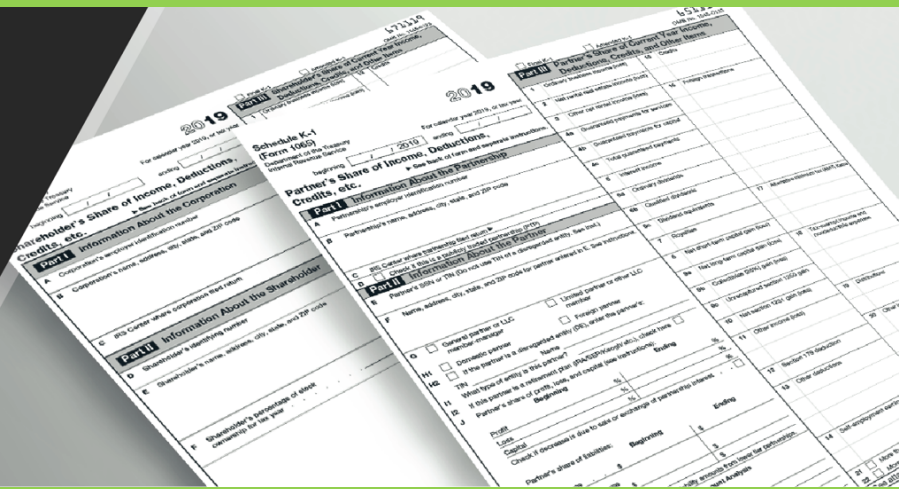


CARES ACT – Change to Excess Business Losses



Were you subject to excess business loss limitations in 2018 or 2019?

If yes, we can amend your return to allow these losses resulting in an immediate refund of income taxes paid. The CARES Act has suspended the excess business loss (EBL) rules for taxable years 2018, 2019, and 2020. Under the Tax Cuts & Jobs Act, individuals that had business losses in excess of \$250K for Single filers and \$500K for those Married Filing Joint were not able to deduct these “excess losses.” Instead, these losses became net operating losses that carried forward to the following tax year.

Net operating losses carrying into 2019 that originated with EBLs generated in 2018 must be recomputed prior to filing the 2019 tax return. Since the Act changed the effective date of the EBL limitation retroactively, IRC § 461(l) excess business loss rules no longer apply to tax year 2018 or 2019. Accordingly, taxpayers that had an NOL carryforward to 2019 from a 2018 EBL will no longer have an NOL carryforward to 2019, at least with respect to the EBL.

It is important to note that an individual must pass the Basis and At-Risk limitation rules before properly deducting a business loss.

Please contact RDG with your tax related questions. We will review your tax returns and determine how you can take advantage of the significant tax law changes from the CARES Act.