

CARES ACT – Net Operating Loss Carryback Changes

A screenshot of an Excel spreadsheet titled "Book1". The spreadsheet shows a summary of financial data. The "Net Loss" cell is highlighted with a green border. The data is as follows:

	E	F	G	H	I
Net Income				\$100,000	
Total Expenses				\$150,000	
Net Loss				\$50,000	

Did you have a Net Operating Loss (NOL) in 2018 or 2019?

If yes, we can assist you in carrying back the loss to reduce taxable income as far back as 2013, resulting in an immediate refund of prior taxes paid. Under the CARES Act, NOL's incurred in tax years beginning after December 31, 2017 and before January 1, 2020 (2018, 2019, and 2020 tax years for calendar year taxpayers) can be carried back up to 5 years and can be used to fully offset prior taxable income. For example, an NOL incurred in 2018 can be carried as far back as 2013 for a refund claim.

For tax years beginning after 01/01/20, NOL's will revert back to the rules set forth in the Tax Cuts and Jobs Act where they can only be carried forward and can only offset up to 80% of taxable income.

NOL carrybacks present an opportunity to secure permanent tax savings by using losses to offset income generated prior to tax reform when the tax rates were higher. For example, a corporate NOL from 2020 can be carried back to offset income from 2015, which may have been subject to a 35% tax rate rather than carried over to 2021 when income is subject to a 21% tax rate. Another benefit of carrying back an NOL is the possible carryforward of tax credits used in prior years that can now be carried forward to offset future income taxes.

These new NOL changes present substantial opportunities to generate immediate cash for taxpayers who have incurred recent losses and paid taxes between 2013 and 2017.

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.