Gordon, Keeter & Co.
Certified Public Accountants

CARES Act

Miscellaneous Income Tax Provisions

1. Charitable Donations
   - A. Taxpayers who do not itemize will receive an above the line deduction for up to $300 of Qualified Charitable Contributions. (This means you can get a $300 deduction in addition to your standard deduction)
     - A. The donation must be in cash
     - B. The donation cannot be to a donor advised fund or a 509(a)(3) "supporting organization" (a type of private foundation).
     - C. The original language indicated this $300 above the line deduction was for 2020 only but the sunset provision (end date) was not included in the final legislation and therefore, this seems to be permanent legislation.
   - B. Taxpayers who itemize will be allowed expanded limits on itemized deductions:
     - A. The CARES Act removed the limitation on charitable deductions for the 2020 tax year.
     - B. Normally individual taxpayers are limited to a charitable contribution deduction that does not exceed 60% of their AGI. The CARES Act will allow you to completely eliminate your tax liability with qualifying charitable donations. Any excess is allowed to be carried forward five years.
     - C. Donations to donor-advised funds or 509(a)(3) "supporting organizations" (a type of private foundation) do not qualify.

2. The Definition of Qualified Medical Expenses for certain tax favored accounts is expanded.
   - A. Tax favored accounts include:
     - A. Health Savings Accounts – "HSA"
     - B. Medical Savings Accounts – "MSA"
     - C. Flexible Spending Accounts – "FSA"
   - B. The definition of qualified medical expenses was expanded to cover
     - A. Over-the-counter medications
     - B. Menstrual care products

3. Net Operating Losses ("NOLs") carryback provisions were reinstated due to the CARES Act. Net operating losses arising in taxable years beginning after 2017 and before 2021 (2018 – 2020)
   - A. May be carried back to each of the 5 preceding years.
   - B. Net operating losses generated are generally limited to only being able to offset 80% of taxable income before the net operating loss deduction. This limitation was eliminated with the CARES Act for NOLs carried forward or back to a year beginning before 2021.

4. Qualified Improvement Property is now eligible for Bonus Depreciation. Under the Tax Cuts and Jobs Act Qualified Improvement Property was intended to be 15-year cost recovery property. However, the legislation was not written correctly to allow for this. This "technical correction" was made as a part of the CARES Act. This will allow Qualified Improvement Property to be eligible for bonus depreciation (100% write-off) for the cost. Qualified Improvement Property is generally defined as an improvement to the interior portion of a commercial building, with some limitations and exceptions applied, as long as, the improvement was completed and placed in service after the building was originally placed in service.