

CARES Act Provides Potential Cash Flow Opportunities for Businesses with NOLs

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The Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, signed into law by President Trump last month, makes several important changes to the Net Operating Loss (NOL) provisions.

Specifically, the CARES Act allows for business to use NOLs from tax years starting prior to January 1, 2021, to fully offset their income, which is a change from the rule imposed by the 2017 Tax Cuts and Jobs Act limiting the offset to 80% of income.

The CARES Act also provides that taxpayers can, for tax years 2018, 2019, and 2020, carry back their NOLs to their five prior taxable years, which could result in a refund.

Businesses with NOLs should consult their tax advisors to see if they can benefit from these tax changes. If so, an amended return could result in a refund and some much needed additional cash flow.