

Client Alert

Follow-Up to March 2020 Client Alert: Estate Planning and Related Matters Update

April 1, 2020

CARES Act Enacted

The Coronavirus Aid, Relief, and Economic Security Act was signed into law on March 27. The Act provides a variety of direct aid and tax relief to individuals and businesses.

Temporary Suspension of Minimum Required Distributions

The Act suspends for 2020 minimum required distributions from qualified plans and individual retirement accounts.

Relaxed Charitable Income Deduction Limits for 2020

The Act allows individuals to claim a deduction of up to 100% of adjusted gross income for cash contributions made in 2020 to public charities, other than supporting organizations and donor advised funds.

Changes to Net Operating and Other Business Loss Treatment

The Act alters the treatment of net operating losses (“NOLs”) instituted in the 2017 tax reform. Since the 2017 reform, NOLs could not be carried back but could be carried forward indefinitely, and could only offset 80% of taxable income. The Act changes this framework by allowing NOLs to be carried back five years for NOLs created in 2018, 2019, and 2020, and removes the 80% taxable income limitation for those NOLs. However, the 80% limitation for NOLs will be reinstated in 2021.

Additionally, the Act postpones to 2021 implementation of Internal Revenue Code § 461(l). § 461(l) provided a limitation on the excess business losses that noncorporate taxpayers could claim. The Act also clarifies that any such excess business losses will be determined without regard to the income or deductions of any trade or business carried out as an employee. Furthermore, excess business losses are to be computed without regard to any losses and a certain amount of gains from the sale or exchange of capital assets.

Gift, Generation Skipping Transfer Tax Return and Payment Deadlines Extended

The IRS has issued Notice 2020-20, which extends the filing and payment deadlines for the federal gift tax and generation skipping transfer tax from April 15 to July 15, 2020. This relief is automatic and so taxpayers do not need to file to extend these filing and payment deadlines. Taxpayers may request to extend the filing deadline to October 15, 2020 if they file their extension request by July 15. Taxpayers may not extend the July 15 payment deadline.

Estate Tax Return and Payment, Form 990 Deadlines Not Extended

The IRS has confirmed by a set of Questions and Answers to Notice 2020-18 (extending individual income tax payment and filing deadlines from April 15 to July 15) that the deadline extension does not apply to estate taxes. Estate tax returns and payments remain due by their normal deadlines.

Additionally, IRS Form 990, pertaining to the income tax returns of tax-exempt organizations, continues to remain due on May 15. However, the deadline for Form 990-T, required of tax-exempt organizations earning income from activities unrelated to their mission, has been extended to July 15, if the form was otherwise due on April 15.

Estimated Income Tax Payments Due June 15 Not Postponed

The IRS stated in its Questions and Answers to Notice 2020-18 that second quarter estimated income tax payments are still due on June 15, 2020. The first quarter payment deadline has been postponed from April 15 to July 15, 2020.

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We are fully available to discuss any of the above with you.

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Trusts and Estates Group

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