

# Net Operating Losses Create Tax Refund Opportunities

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The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was recently signed into law by President Trump and has given taxpayers an opportunity to utilize net operating losses and possibly recoup taxes paid in prior years. Business owners and individuals who have accumulated Net Operating Losses (NOL's) now have an opportunity to carryback those losses to prior tax years and receive a refund for taxes previously paid.

Specifically, when the Tax Cuts and Jobs Act was passed in December 2017, it created limitations on the use of NOL's by individuals and business entities. This Act disallowed the carryback provision that had long been available, and only allowed for the losses to be carried forward indefinitely. In addition to the denial of the loss carryback provision, only 80% of the taxable income of the taxpayer in a given year could be offset from the losses, with

the remainder carried forward to a subsequent year. This limitation created a burdensome tax liability for the taxpayer.

With the passage of the CARES Act, NOL's for losses generated in tax years 2018 through 2020 can now be carried back to the five previous tax years and are also not subject to the 80% taxable income limitation. Taxpayers who have already filed 2018 and/or 2019 tax returns reporting operating losses should be aware of these changes and consider filing amended returns or carryback claims to benefit from these new temporary rules. The IRS has issued guidance under Revenue Procedure 2020-24 and Notice 2020-26 regarding how to utilize these losses.

Please contact our office today to schedule a conversation with one of our experienced tax advisors on how we can help you take advantage of these new tax rules.