The CARES Act temporarily resets the treatment of NOLs to pre-TCJA rules.

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Under the new Coronavirus Aid, Relief and Economic Security Act, the rules for how you can treat net operating losses have changed.

They now provide you with an additional tax break for losses you suffer from government-related shutdowns due to the COVID-19 pandemic.

A net operating loss occurs when your allowable deductions — such as wages, rent or mortgage interest, utilities, inventory, and depreciation on equipment — exceed your taxable income.

The Tax Cuts and Jobs Act of 2017 eliminated the option for businesses to carry back those excess losses to prior years in order to deduct them from revenue in those years.

Instead, the act limited the amount losses you could claim in any given year to 80% of the actual loss, and it allowed you to carry the 20% balance *forward*, to apply it against income in coming years.

Today, the CARES Act temporarily resets the treatment of NOLs to pre-TCJA rules. You can now claim 100% of your net operating losses in 2020, 2019, or 2018 and you can carry them back for up to five years.

This means you can refile tax returns and immediately apply for a refund if you had a loss in 2020, 2019, or 2018.

The CARES Act also fixes a technical error in the TCJA for tax years 2017 and 2018, enabling companies whose tax years don't fall within calendar years to get the full benefit of an NOL in those years.

Talk to your accountant or bookkeeper about how to apply for a refund and refile tax returns if you had a net operating loss in any of the past three years.

For more information on tax breaks in the CARES Act, visit the Tax Foundation site.