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Over the past year, numerous laws have been enacted, each containing many tax changes intended to mitigate the economic hardship wrought by Covid-19.

In March 2020, the Coronavirus Aid, Relief and Economic Security Act (“CARES”) and the Families First Coronavirus Response Act (“FFCRA”) were enacted, followed, in December 2020, by the Consolidated Appropriations Act, 2021 (“CCA”). The various provisions in these Acts cost the Treasury trillions of dollars.

Many States, including New York, in an attempt to avoid adding to mounting deficits, decided to “de-couple” from the tax provisions of these various Acts; meaning, that it would NOT adopt into its own tax Statutes the tax changes enacted by these Acts.

The effects of this “de-coupling” are significant:

1. Although most PPP loan recipients were excited to learn that CCA provided for the deductibility of expenses paid for with PPP loan proceeds, in effect making the forgiven PPP loan totally non - taxable, **due to the de-coupling, a NY State taxpayer whose PPP loan is forgiven will need to report the forgiven loan as income on his or her NYS tax return**. The benefit provided by the CARES and CCA Acts to those whose PPP loans are forgiven is not taken into account for NYS income tax purposes.

2. The Acts increase the amount of business interest that may be deducted by decreasing the limitation from 30% of adjusted taxable income to 50% of adjusted taxable income. **Due to de-coupling, NY State taxpayers are limited to the 30% figure.**

3. The Acts allow for rapid write off (including bonus depreciation) of Qualified Leasehold Improvements. **Due to de-coupling, NY taxpayers must use the amortization rules that were in place prior to enactment of the Acts, which are much less favorable.**

4. The Acts allow for the utilization of 2018-2020 Net Operating Losses (“NOL’s”) to the full extent of one’s taxable income. **Due to de-coupling, NYS taxpayers will be entitled to utilize NOL’s to offset only 80% of one’s taxable income.**

5. The Acts liberalized the use of 2018-2020 business losses (under the loss limitation rules) and enabled their use to offset other income, such as wages, interest, dividends and capital gains reported on one’s return. **Due to de-coupling, NYS taxpayers will be limited to the use of 2018-2020 business losses to offset other income, in accordance with the rules that existed prior to the Acts.**

The items listed above are several of the major tax provisions effected by NY State’s de-coupling. It should be noted, however, that, in fact, de-coupling applies to each and every tax provision contained in the various Acts.

Please reach out to us if there are any questions related to this Alert.