LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC’s 1120 Deskbook

30th Edition (October 2020)

Highlights of this Edition

The following are some of the important new features of the 2020 Edition of PPC’s 1120 Deskbook:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act. This edition is updated throughout for current legislation related to COVID-19 relief under the CARES Act, including the following key provisions:
  - Business Interest Expense. The limitation on business interest expense deductions under IRC Sec. 163(j) is increased to 50% of adjusted taxable income (ATI) and taxpayers have the option to use ATI for 2019 or 2020 in calculating the limitation. In addition to these CARES Act changes, this edition is updated for Section 163(j) regulations that are now final.
  - Increased Limits for Charitable Contributions. The limitation on charitable contribution deductions for C corporations is increased to 25% of taxable income for certain qualified cash contributions and contributions of food inventory.
  - Bonus Depreciation. Qualified improvement property now qualifies for 100% first-year bonus depreciation instead of depreciation over 39 years.
  - NOL Deduction. The 80% of taxable income limitation is no longer applicable in tax years beginning before 2021, and NOLs arising in tax years beginning in 2018, 2019, and 2020 can now be carried back for 5 years and carried forward indefinitely.
  - Minimum Tax Credit (MTC). The entire amount of any unused credit is 100% refundable.
  - Employee Retention Credit. A fully refundable payroll tax credit, equal to 50% of certain qualified wages, is available to encourage employers to retain their employees and maintain wages throughout 2020.

- Families First Coronavirus Response Act (FFCRA)—Credits for Business Taxpayers. The refundable employment tax credits for emergency paid sick leave and family and medical leave are addressed, and examples are provided illustrating calculation of these credits.

- Procedures for Filing Form 1139. Corporations are granted a 6-month extension to file Form 1139 and the IRS has implemented temporary procedures that allow the form to be faxed.


- Final Regulations for Deducting Cost of Meals. Updated the coverage for final regulations (TD 9925) issued in September 2020 on deducting the cost of business meals.

In addition to these featured items, your Deskbook includes the following update items detailed below.
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<td>CHAPTER 7</td>
<td>Updated the inflation-adjusted $25 million threshold, which if met exempts corporations from the need to maintain inventories for tax purposes.</td>
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<td>Addressed proposed regulations that require book-tax adjustments for certain capitalized costs.</td>
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<td>Noted increase in corporation’s allowable 2020 charitable deduction for contributions of food inventory as authorized by the CARES Act.</td>
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<td>Explained the procedures for re-electing use of the LIFO inventory method, which differ depending on when the corporation’s request is made.</td>
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<td>Clarified what is tangible personal property (films, sound recordings, videotapes, books, and similar property) for Section 263A UNICAP purposes.</td>
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<td>CHAPTER 12</td>
<td>Updated discussion to include that the dividends received deduction is not allowed for hybrid dividends under IRC Sec. 245A(e).</td>
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<td>CHAPTER 13</td>
<td>Added discussion for the definition of real property as updated by proposed regulations issued under IRC Sec. 1031.</td>
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<td>Added discussion for final Section 163(j) regulations and how 2018 proposed regulations may be relied on.</td>
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<td>Updated the discussion of the definition of a syndicate under IRC Sec. 1256(e)(3)(B).</td>
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<td>CHAPTER 16</td>
<td>Added discussion of business interest expense from exempt pass-through entities that may have been subject to the Section 163(j) limitation.</td>
<td>Key Issue 11K</td>
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<td>CHAPTER 17</td>
<td>Updated the discussion for the charitable contribution taxable income limitation being temporarily increased by CARES Act Sec. 2205 to 25% for qualified contributions.</td>
<td>Key Issues 12A, 12B, 12E</td>
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<td>CHAPTER 18</td>
<td>Updated and expanded discussion of first-year bonus depreciation to reflect recent legislation.</td>
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Chapter 15: Pension and Profit-sharing Plans and Other Benefits

1. Addressed final regulations that expand the availability of individual coverage HRAs to be integrated with individual health insurance coverage if certain conditions are met.
2. Added a discussion of excepted benefit HRAs.
3. Updated for additional situations when cafeteria plans may allow employees to make changes given COVID-19 impact.
4. Noted that a health plan will not fail to be a High Deductible Health Plan (HDHP) merely because it provides certain COVID-19 related health benefits.
5. Added a discussion of CARES Act provision enabling employers to provide a student loan repayment benefit to employees on a tax-free basis.

Chapter 16: T&E, Club Dues, Gifts, Directors’ Fees, Autos, and Airplanes

1. Updated discussion for guidance issued on using per diem to substantiate the amount of business expenses while traveling away from home as provided in new Revenue Procedure 2019-48.
2. Updated discussion for final regulations (TD 9925), which incorporate guidance in Notice 2018-76 for deducting the cost of business meals.
3. Added a new illustration showing percentage of deduction allowed for various business meal expenses.

Chapter 17: Net Operating Losses

1. Updated discussion regarding the 5-year NOL carryback provision.

Chapter 18: Alternative Minimum Tax

1. Added discussion on carrying an NOL to a year in which AMT may have applied.
2. Included discussion on how to properly file Form 1139 for carryback of post-2018 NOLs.

Chapter 21: Credits

1. Added a Key Issue on new credits available from the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Includes credits for Emergency Paid Sick Leave, Emergency Family and Medical Leave, and Employee Retention.
2. Updated the discussion of the investment credit for rehabilitation expenditures for taxpayers subject to the TCJA transition rule.

Chapter 22: Tax Payments

1. Noted that taxpayers may make cash payment of taxes at IRS retail partners.

Chapter 29: Limitations Due to Ownership Changes (the Section 382, 383, and 384 Rules)

1. Clarified the carry forward periods and taxable income offset available for NOLs generated in tax years beginning pre-1/1/18 and post-12/31/17, as established by IRC Sec. 172.
2. Updated discussion of built-in gain and loss items for subsequently-provided transition relief for applying provisions in the 2019 proposed regulations once they are finalized.

Chapter 33: Filing Form 1120

1. Added to the discussion that the accuracy-related penalty does not apply to an understatement if the taxpayer files a “qualified amended return.”
2. Updated amounts of preparer penalties under IRC Secs. 6713 and 7216.
## Chapter
### CHAPTER 34
Amended Returns, Claims for Refunds, and Assessments of Tax

## Substantive Changes and Additions
1. Provided a practice tip indicating the action that should be taken when a corporation believes that a Form 1065 Schedule K-1 it receives is incorrect.
2. Updated discussion to include IRS temporary fax procedures for Form 1139.

## Quick Reference Tables
1. Added a table that summarizes the net operating loss utilization rules.

## Worksheets
1. Added a worksheet for tracking net operating losses.

## Reference
- Key Issue 34C
- Key Issue 34D
- T717
- W306