TN Department of Revenue

Franchise and Excise Tax

ET-6 - Implications of the 2020 CARES Act on the Excise Tax

This article is for informational purposes only.

Four provisions of the CARES Act and their possible impact on the Tennessee excise tax return are discussed below.

The federal CARES Act amends Internal Revenue Code (IRC) §168 to reduce the MACRS recovery period of "qualified improvement property" from 39 years to 15 years, which makes this property eligible for federal bonus depreciation. Tennessee excise tax law conforms to the federal MACRS provisions, including the depreciation of qualified improvement property over 15 years. However, bonus depreciation is never permitted for excise tax purposes.

The federal Tax Cuts and Jobs Act of 2017 limited deductions for net business interest under IRC 163(j), effective for tax years beginning after 2017. The CARES Act of 2020 retroactively loosened the limitation. Tennessee excise tax law conforms to the federal provisions, including the CARES Act, for tax periods beginning after December 31, 2017 and before January 1, 2020. For tax years beginning on or after January 1, 2020, Tennessee decoupled from the Tax Cuts and Jobs Act's amendment of IRC 163(j), such that the deduction for business interest expense will not be limited. For more information, see Important Notice 19-18.

The CARES Act provides for an exclusion from gross income for forgiveness of a Paycheck Protection Program loan.   Tennessee excise law conforms to this provision of the Act, as the starting point for determining income subject to excise tax is federal taxable income.

Finally, the CARES Act made federal revisions concerning net operating loss carryforwards and carrybacks. Tennessee does not follow federal law concerning net operating losses. For Tennessee excise tax purposes, net operating losses may be carried forward until fully utilized, but no more than 15 years. They are never carried back.

Reference: Tenn. Code Ann. § 67-4-2006.