

# NFIB UPDATE

## COVID-19 Webinar Series for Small Business

with Beth Milito and Holly Wade, NFIB



**MARCH 3, 2021**

**Special Guests** – Dave Finklang, Rebekah Tucker, and Dan Schindler  
Anders CPAs + Advisors

**Tax Tips for the 2021 Tax Season: COVID-19 Tax Planning**



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- This is based on information available by 3/3/21.

# Agenda



- Covid-19 Small Business Resources
- PPP update
- Anders CPAs + Advisors
- Q&A
- Send questions to [info@nfib.org](mailto:info@nfib.org)

## Upcoming Webinars



Wednesday, March 17<sup>th</sup> @ 12pm EST

Wednesday, March 31<sup>st</sup> @ 12pm EST

# COVID-19 Resources

- 
- [First PPP Draw Borrower Application \(Updated 1/8/21\)](#)
  - [Second PPP Draw Borrower Application \(Released 1/8/21\)](#)
  - [NFIB PPP Second Draw Tip Sheet](#)
  
  - [PPP Loan Forgiveness Form 3508S Application and Instructions for loans less of \\$150,000 or less \(Updated 1/19/21\)](#)
  
  - [PPP Loan Forgiveness Form 3508EZ Application Instructions](#)
  - [PPP Loan Forgiveness Form 3508EZ Application](#)
  
  - [PPP Loan Forgiveness Form 3508 Application Instructions](#)
  - [PPP Loan Forgiveness Form 3508](#)
  
  - [AICPA PPP Loan Forgiveness Calculators \(updated Feb 2021\)](#)
  - [NFIB Coronavirus Resources \(including webinar recordings\)](#)
  
  - [NFIB Employee Retention Tax Credit Tip Sheet](#)
  - [IRS Information on ERTC](#)
  
  - [NFIB FFCRA \(COVID-19 leave\) Tax Credit Tip Sheet](#)

## SBA Updates

<http://www.sba.gov/updates>

## PPP Updates

- The Administration's 14-day exclusive PPP loan application period for businesses and nonprofits with fewer than 20 employees ends March 9<sup>th</sup>. Businesses with 20 or more employees can apply again starting March 10<sup>th</sup>.
- PPP loan application (for first and second draws) window closes March 31<sup>st</sup>.
- New PPP loan calculation for sole proprietors, independent contractors, and self-employed individuals is not yet released.



**ANDERS**  
CPAs + ADVISORS

# TAX TIPS FOR THE 2021 TAX SEASON: COVID-19 TAX PLANNING

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March 3, 2021



# TODAY'S PRESENTERS



**DAVE FINKLANG**  
Partner + Tax



**DAN SCHINDLER**  
Principal + Tax



**REBEKAH TUCKER**  
Supervisor + Tax

# AGENDA

- **PPP and ERTC Tax Implications**
- **COVID-Related Tax Provisions for Businesses**
- **COVID-Related Tax Provisions for Individuals**

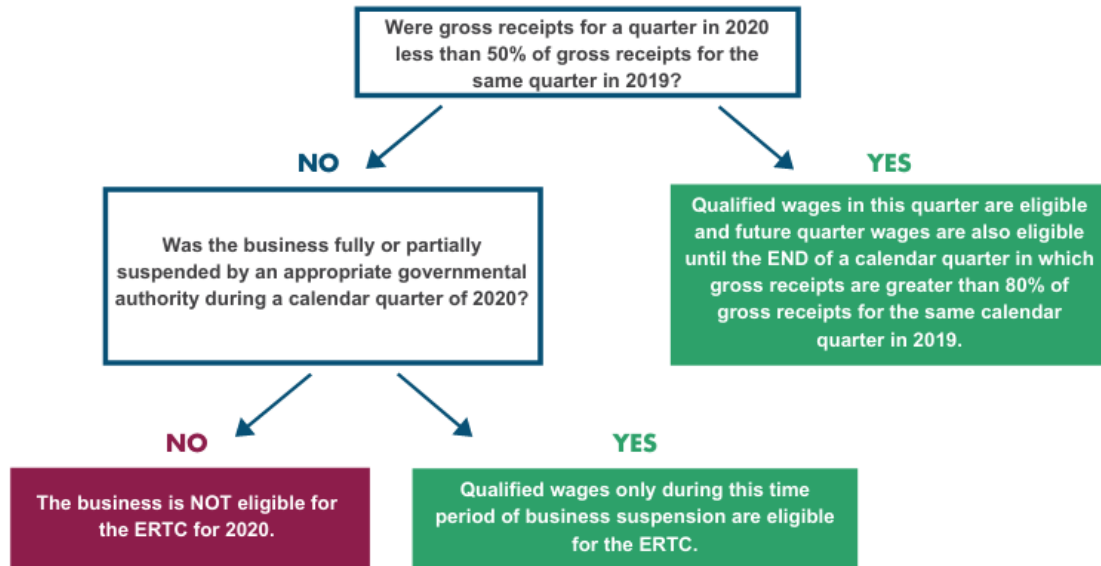
# EMPLOYEE RETENTION TAX CREDIT

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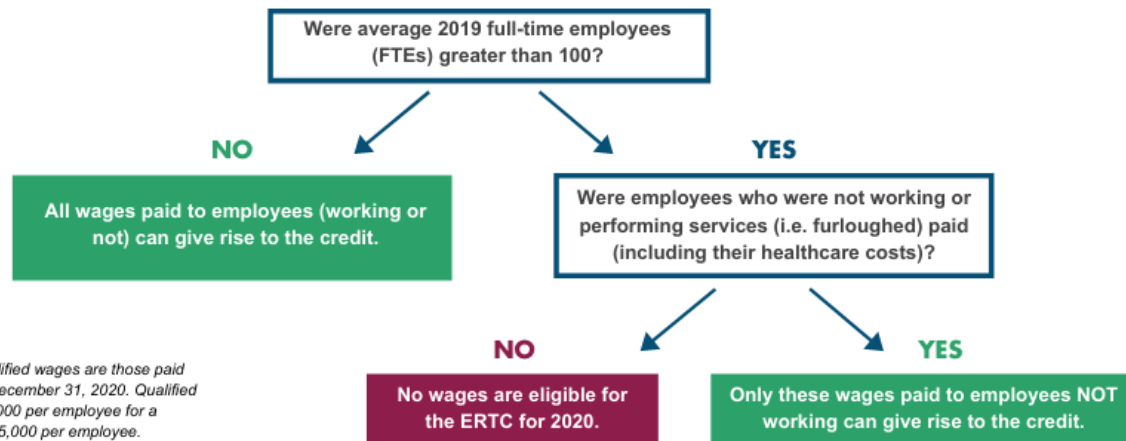
- Retroactive change: **eligible even if you received PPP loan**
- **Optimize benefits between ERTC and PPP**
  - **Cannot use same payroll costs for both ERTC and PPP**
- 2020 credit:
  - **50% tax credit** on wages up to \$10,000 per employee
  - File amended quarterly payroll report (941-X)
- 2021 credit (for Q1-Q2):
  - **70% tax credit** on wages up to \$10,000 per employee per quarter
  - Retain a corresponding amount of EFTPS payroll tax deposits for expected credit amount
  - Wait until end of quarter to get refunded
  - File Form 7200 for advance payment (only for employers with 500 or fewer full-time employees in 2019)
    - Capped at 70% of 2019 average quarterly wages
    - Do not reduce deposits AND request advance payment for same expected credit

# EMPLOYEE RETENTION TAX CREDIT

## 2020 ELIGIBILITY



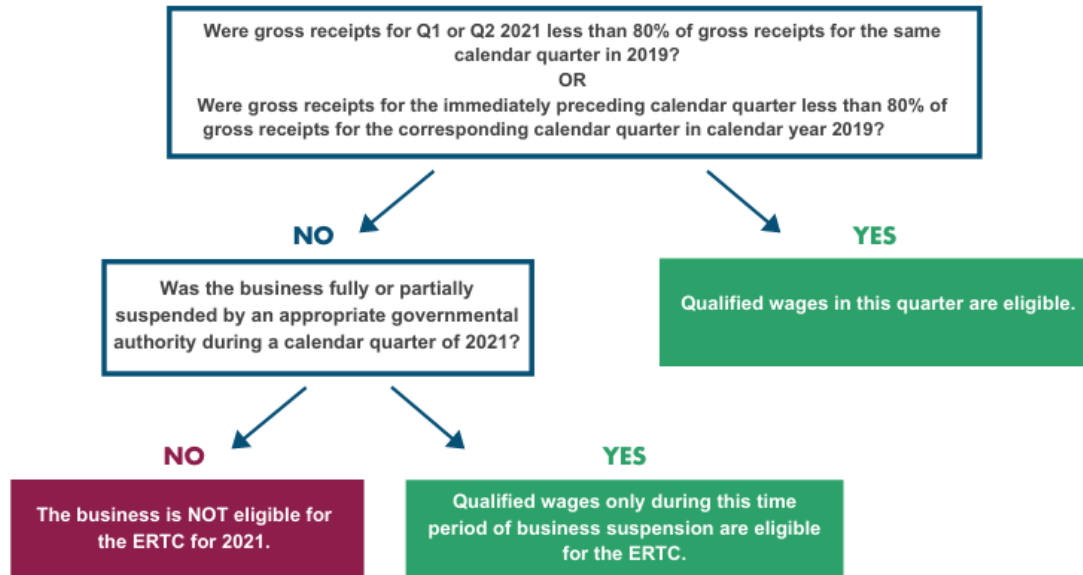
### WHAT QUALIFIED WAGES ARE ELIGIBLE FOR THE ERTC?



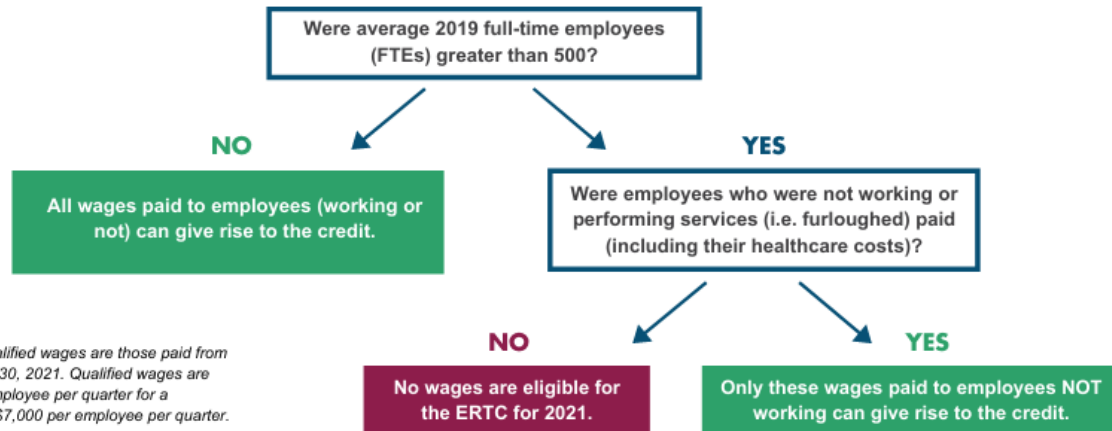
*\*For the 2020 ERTC, qualified wages are those paid from March 13, 2020 to December 31, 2020. Qualified wages are limited to \$10,000 per employee for a maximum 50% credit of \$5,000 per employee.*

# EMPLOYEE RETENTION TAX CREDIT

## 2021 ELIGIBILITY



### WHAT QUALIFIED WAGES ARE ELIGIBLE FOR THE ERTC?



*\*For the 2021 ERTC, qualified wages are those paid from January 1, 2021 to June 30, 2021. Qualified wages are limited to \$10,000 per employee per quarter for a maximum 70% credit of \$7,000 per employee per quarter.*

# HOW TO RECEIVE ERTC BENEFITS

- **For 2020 ERTC:**

- File amended quarterly payroll report (941-X)

- **For 2021 ERTC:**

- Retain a corresponding amount of EFTPS payroll tax deposits for expected credit amount
- Wait until end of quarter to get refunded
- File Form 7200 for advance payment (only for employers with 500 or fewer full-time employees in 2019)
  - Capped at 70% of 2019 average quarterly wages
  - Do not reduce deposits AND request advance payment for same expected credit

# IRS NOTICE 2021-20 - NEW HIGHLIGHTS

- Confirmation of **full-time employee calculation**
- Wages paid to **“related individuals”** not eligible
  - Related to individual who owns, directly or indirectly more than 50% of business; does not include spouse
- Qualifying wages can be wages paid and wages incurred
- Deduction for wages and health plan expenses reduced by amount of ERTC (not payroll taxes) – **but in 2020 or 2021?**
- Aggregation rules – maximum credit per employee is **limited on aggregated basis**, not individual entity basis



# PPP AND ERTC INTERACTION

- Making the **election to not take certain wages** into account for ERTC
  - *Opt out by not claiming those wages as ERTC wages*
  - **Deemed to have made election** for those wages included as payroll costs on PPP Forgiveness App
- Deemed to have made election for the amount of “qualified wages included in the payroll costs **reported** on PPP Forgiveness App up to (but not exceeding) the minimum amount of payroll costs, together with any other eligible expenses **reported** on the PPP Forgiveness App, sufficient to support the amount of PPP loan that is forgiven”
- PPP Loan Forgiveness Application **Submitted**
  - *Certain Limitations*
- PPP Loan Forgiveness Application **Not Yet Submitted**
  - *Careful analysis and strategy*

# COVID-RELATED TAX PROVISIONS FOR BUSINESSES

# BUSINESS TAX PROVISIONS

## Deductibility of Business Meals

- **Increased from 50% to 100% for 2021 and 2022** where the expense for food or beverage is provided by a restaurant

## Business Interest Expense Limitation

- Increased from **30% Adjusted Taxable Income (ATI)** to **50%** for taxable years beginning in 2019 and 2020

# BUSINESS TAX PROVISIONS

## Sec 179D Energy Efficient Commercial Building Deduction

- Can claim deduction for energy efficient improvements to **lighting, heating, cooling, ventilation and hot water systems of commercial real property**
- Deduction is based on **\$1.80/sq ft**, adjusted for inflation after 2020
- A **\$0.60 deduction** is allowed where certain subsystems meet standards while the entire building does not
- Originally scheduled to terminate in 2020, but **now made permanent**

# QUALIFIED IMPROVEMENT PROPERTY (QIP) TECHNICAL CORRECTION

The CARES Act treats Qualified Improvement Property (QIP) as 15-year property, resulting in taxpayers being eligible to take **100% bonus depreciation on QIP** rather than the previously stated depreciation over 39 years.

Because of this technical correction (*retroactive to January 1, 2018*), taxpayers can file **amended returns to claim bonus depreciation for 2018 and 2019** OR file for a **change of accounting method with Form 3115 to fix this error on their 2018, 2019, or 2020 tax return.**

# NET OPERATING LOSS PROVISIONS

A **net operating loss (NOL)** occurs when a company has more allowable tax deductions than it has taxable income. NOLs reduce either past or future taxable income from loss carrybacks or carryforwards.

## Carryback Benefits:

- NOLs can now be carried back **up to five years** to fully offset a prior year's taxable income resulting in a refund of income tax paid in that year.
- Refunds can be generated at a more favorable tax rate of up to **35%**, rather than the more current 21% rate = cash flow relief

# TAX CUTS AND JOBS ACT (TCJA)

- TCJA allowed businesses to **deduct the full cost of qualified new investments in the year those investments are made** (referred to as 100 percent bonus depreciation or “full expensing”) for five years
- Under the new law, joint tax filers with taxable income **below \$326,600 (\$163,300 for other filers)** can deduct **20%** of their qualified business income (QBI)
- Once taxable income reaches **\$426,600 for joint filers (\$213,300 for other filers)**, **QBI for SSTB is reduced to zero** and could be limited for non-SSTB businesses
- CARES Act Update on TCJA limits
  - The limit on the amount of active pass-through business losses that business owners can deduct against other income has been extended past 2020. This was **\$500,000 for joint filers (\$250,000 for other filers)**.

# FFCRA TAX CREDIT

- When an employee is unable to work (including telework) due to COVID-19, the Families First Coronavirus Reponses Act (FFCRA) provides a **100% credit** for the employee's wages during the period of time the employee is unable to work (*subject to limits*)
- Companies and not-for-profits with **less than 500 employees** are eligible for FFCRA
- Employers pay the employee up front and take a dollar-for-dollar tax credit by reporting their **total qualified leave wages and the related credits for each quarter** on their federal employment tax returns



# FFCRA TAX CREDIT

- **Paid sick leave:**
  - 100% of regular pay
  - Maximum of \$511 per day for 10 days
- **Paid family leave:**
  - 2/3 of regular pay
  - Maximum of \$200 per day for 10 weeks
- **Extended through March 31, 2021**
- **Example:**
  - An eligible employer paid \$5,000 in sick leave for a quarantined employee and is otherwise required to deposit \$8,000 in payroll taxes. The employer would only be required to deposit \$3,000 on its next regular deposit date.

# DEDUCTIBILITY OF FORGIVEN PPP LOAN EXPENSES PAID

- The new law provides:
  - There is **no gross income due** to loan forgiveness on these items; and
  - Expenses paid with such amounts are **deductible** and produce normal basis adjustments
- The rule is retroactive to the tax year ending after the date of the original CARES Act
- Watch for **state tax conformity** to this IRS rule

# PPP, EIDL, SBA INCOME AND DEDUCTIONS

	Taxable on Federal Return?	Retain all Related Deductions?	Notes and Reference Information
<b>State/Local Individual Grant</b>	No	Yes	IRC Sec. 139(b)
<b>State/Local Business Grant</b>	Yes	Yes	Rev. Rul 2005-46 CARES FAQ's
<b>Federal Non-PPP Grant</b>	Yes	Yes	Rev. Rul 2005-46 CARES FAQ's
<b>PPP Forgiveness (no dollar limits apply)</b>	No	Yes	CAA Sec. 276
<b>EIDL Grant or Advance</b>	No	Yes	IRC Sec 90009 and CAA Sec. 278
<b>SBA Loan</b>	No	Yes	SBA Making the first 6 months payments are not taxable and expenses remain fully deductible (CAA Sec. 278)

# COVID-RELATED TAX PROVISIONS FOR INDIVIDUALS

# REMOTE WORK IMPLICATIONS

- Tax filing requirements vary from state to state
- Employees **could be subject to additional non-resident income tax return filings depending on the state** they're in and whether they meet thresholds based on income generated or time spent there
- **Deductibility of home office expenses?**

# RETIREMENT DISTRIBUTIONS

- **RMDs suspended for 2020**
- Can elect to have COVID-related distributions taxed **over 3 years** (2020, 2021, 2022)
- COVID-related distributions can be paid back and no tax due – **may result in amended returns**
- Early withdrawal penalty of **10% waived** on COVID distributions up to \$100k

# CHARITABLE CONTRIBUTIONS

- The above-the-line charitable contribution deduction for 2020 is **\$300 for those who do not itemize deductions**
  - **Up to \$600 for married filing joint in 2021**
- For 2020 and 2021, the percentage limitation (normally 60% of AGI) for qualified charitable contributions to charities is increased to 100% of AGI
  - ***This ultimately extends the CARES Act 100% AGI contribution rule another year***

# STIMULUS PAYMENTS

- **Stimulus packages to date:**
  - **\$1,200 (\$2,400 for married filing joint)** payment per individual plus **\$500 for each qualifying child**
  - **\$600 (\$1,200 for married filing joint)** payment per individual plus **\$600 for each qualifying child**
- Phase-out based on Adjusted Gross Income
- Reconciled on 2020 return as Recovery Rebate Credit
- Set up direct deposit on tax return for faster payment
- **When is it best to file 2020 tax return?**



# TIMING OF FILING 2020 TAX RETURN

- **Should I extend my tax return?**
  - Eligibility of potential future stimulus payments
  - Plan to repay COVID distributions
  - More time to make SEP contribution

# 2021 ESTATE AND GIFT TAX EXEMPTIONS

**2021 Lifetime Gift, GST, and Estate Exemptions:  
\$11,700,000**

**2021 Annual Exclusion for Gifts: \$15,000 (*no change*)**

**Top Gift, GST, and Estate tax rate – 40%**

# QUESTIONS?

# STAY INFORMED

- Visit our **COVID-19 Resource Center**:  
<https://anderscpa.com/covid-resources>
- Need help navigating PPP? Learn more about our **Business Recovery Services**:  
<https://anderscpa.com/advisory/covid-19-business-recovery/>

**THANK YOU FOR JOINING US!**

