Ready to Call it a Wrap! Almost, Let's talk Tax.

PUBLISHED BY **ANGELA SLANEY** ON NOVEMBER 27, 2020

Wouldn't if be great if we could put a pretty little bow, color of your choice, on 2020 and send it off into some small part of our memory banks? With the close of this unforgettable year coming, now is the time to focus on getting things in order for your business if you have not done so already. Once the year closes we spring into full action with closing the books and putting our efforts into making our 2021 projections a reality. We have compiled some important things to consider when meeting with your tax professional so that you can ask the right questions to ensure you are taking advantage of as many new benefits as possible.

Social Security deferral The Cares Act provides allowance for employers to defer paying their share of Social Security tax for the remainder of 2020, installment dates are stipulated as 50% by December 31, 2021 and 50% by December 31, 2022. There can be great value in deferring the deduction until stipulated pay dates, however paying early, if the company is able, can increase NOL for 2020 which can further benefit the refund claims as discussed below. A company's accounting method, cash basis, accrual, etc can also have an impact on the timing of recognition and cash impact.

Disaster loss refunds The COVID-19 disaster declaration designated all 50 states, district and territories of the US as disaster areas. What this means for businesses is that they may be eligible for covered losses directly attributable to COVID-19; inventory loss, workplace closures, etc. As a disaster related loss in 2020 businesses may also be able to amend 2019 tax returns and claim the losses for quicker refunds.

QIP depreciation The CARES Act fixed a previously standing problem with bonus depreciation. Qualified Improvement Property (QIP) depreciation can now be claimed retroactively back to January 1, 2018 on the 2020 tax filing or through amended 2018 and 2019 tax returns to receive the full benefit of the bonus depreciation.

AMT refunds The CARES Act accelerated the timeline for claiming unused AMT credits into 2018 and 2019 for quicker refunds. There are several different ways to go about filing for this refund.

Refund Claims The CARES Act put into play claims for NOL carrybacks for five years against prior taxes. Businesses can use losses from 2018, 2019 and 2020 against past income and apply for a refund. Consider accelerating deductions into 2020 for larger refund claims; it might be time to think about the benefits of accrual accounting. NOL carryback refunds can not be claimed until the 2020 return is filed; it may be best to file early.

If in planning for your tax year end close you determine that a change in accounting method may suit your business' needs be sure to consider and understand the impact to you 2021 projections. Pulling or pushing revenue between years requires the same treatment of expenses and vice versa.

Some other tips when considering your personal return.

Charitable contributions The CARES Act has put into play the allowance of up to $300 for cash contributions without the need to itemize deductions. The Tax Code generally limits the claim of charitable contributions to those that file itemized deductions on their personal return. As a reminder itemized deductions include mortgage interest, real estate taxes, medical costs in excess of stated rate above AGI. Prior to the CARES Act if you did not itemize deductions you could not claim charitable deductions; for 2020, you can.

Stimulus check impact The CARES Act also issued stimulus checks of up to $1,200 per taxpayer and $500 per qualified dependent children. These were released by the IRS and structured as a 2020 advance of tax credit. The checks were paid out based on 2018 or 2019 returns filed, if the 2020 credit calculation is less than the stimulus check received, there is no penalty however, if the check received was less than the calculated credit this difference can be claimed as an additional refund.

Penalties This word alone makes me nervous, but with all of the financial and cash flow upset experienced this year it would be wise to understand where your withholding is before the close of the year. Review your taxable earnings and tax bracket to ensure that you have paid in enough withholding through the year to penalty proof yourself. You can remit estimated tax payments if your withholding is not sufficient. Did you pick up 1099 jobs to supplement your income from lost

hours or wages with your employer? 1099 income would not have had the proper withholding and may put you in a position to where you have not paid enough taxes during the year.

We wish you luck in preparing for your year end tax planning. It is strongly recommended that with all of the changes and benefits made available to businesses this year that you seek out and find well versed and experienced tax professionals to guide you through your tax filings. Working through some of these challenging tax matters may provide a little sigh of relief after a tough year.