Important Tax Updates You Don't Want To Miss

We are dedicated to providing you with the most recent tax information to help you manage your business. Below, please see updated information that replaces dates shared in the last issue of TSG On Point.

- **Individual income tax returns:** April 15, 2021 is the tax return and or extension (Form 4868) filing deadline. This is not an extension to pay taxes due.

- **Estimated tax payments for the 2020 tax year (IRS Form 1040):** The fourth and final estimated payment for the 2020 tax year is due on January 15, 2021.

- **Estimated tax payments for the 2021 tax year (IRS For 1040)** due dates are as follows:
  First quarter - April 15, 2021
  Second quarter - June 15, 2021
  Third Quarter - September 15, 2021
  Fourth Quarter - January 17, 2022

- **Partnership returns (IRS Form 1065):** These are due March 15, 2021. The extended deadline is September 15, 2021.

- **S-corporation returns (IRS Form 1120-S):** These returns are due March 15, 2021, for corporations operating on a calendar year. The extended deadline is September 15, 2021.

- **C-corporation income tax returns (IRS Form 1120):** These are due April 15, 2021, for C-corporations that operate on a calendar year. The extended deadline is October 15, 2021. The deadline for C-corp returns is the 15th day of the fourth month following the end of the corporation's fiscal year if the corporation operates on a fiscal, rather than a calendar, year. A corporation with a fiscal tax year ending June 30 must file the tax return or extension by the 15th day of the 3rd month after the end of its tax year.

- **New Form 1099 NEC (Non-Employment Compensation)** This replaces the previous filing of Form 1099 MISC for certain contracted vendors. The deadline for businesses to mail 2020 1099-NEC Forms to applicable vendors and file related Form 1096 with VIBIR is February 1, 2021.

- **The deadline for all other Form 1099's** and their related Form 1096's is March 1, 2021 with the VIBIR.

- **Mailing W2-VI's:** February 1, 2021, is the filing deadline for employers to mail 2020 Form W2-VI's to employees, 2020 Form W3-SS to the Social Security Administration and file the 2020 Form W3 with the VIBIR.

New COVID-19 Relief bill Small Business Benefits

In December, Congress enacted the new COVID relief bill to provide economic support to individuals and businesses through a combination of tax benefits, grants, and loans. Small business benefits include:

- $20 billion for Economic Injury Disaster Loan (EIDL) Grants.

- $284 billion for Paycheck Protection Program loans (PPP2).
  - The PPP2 loans are limited to those with fewer than 300 employees that have seen drops of at least 25% of their revenue during the first, second, or third quarter of 2020

  - $12 billion was carved out specifically for minority owned businesses and expands eligibility to churches, nonprofits, self-employed and independent contractors.

  - Forgiveness will be granted for payroll, interest on covered mortgages, operating expenses, property damage costs, rent, utilities, supplier costs, worker protection expenses

  - In general, "PPP2" loans will be equal to the AMPC (Average Monthly Payroll Costs) multiplied by 2.5, up to a maximum loan amount of $2 million. However, for restaurants and food service companies, which were especially hard hit in the pandemic loan amounts are equal to 3.5 times AMPC.

  - Simplifies forgiveness process for loans under $150,000 (loan amounts less than $150,000 can be requested by submitting a one-page

certification, attesting that the eligible entity meets the revenue loss requirements).

- Please contact your bank or Small Business Administration, as soon as possible, to explore the loan forgiveness and new PPP2 funding assistance.

- We stand ready to assist you on any PPP related matters. Please contact Steven Lechowicz at 340-776-0640.

Business Tax Relief

- The bill specifies that business expenses paid with forgiven PPP loans are tax deductible.

- Congress made clear that a forgiven PPP loan is completely tax exempt and not taxable income. These provisions apply to existing or future PPP loans.

- Extension, expansion and retroactive changes to the Employer Retention Payroll Tax Credits originally established in the Cares Act last summer for employers that retained their employees. The retention credit has been extended to June 30, 2021, instead of Dec. 31, 2020. The maximum credit is up to 70% of the first $10,000 of qualified wages paid by an eligible employer per quarter during 2021. This will allow employers to claim a maximum of up to $14,000 per employee in 2021 if they are eligible in both of the first two quarters of 2021. PPP loan recipients are now eligible for this tax credit as well. Employers can maximize both their PPP forgiveness and their employee retention tax credits by claiming the employee retention credit on any eligible wages not used to support PPP loan forgiveness. These changes are very substantial and can generate significant amounts of cashflow for eligible businesses in 2021.

- 100% deduction on business meals purchased from restaurants between Jan. 1, 2021 and Dec. 31, 2022.

- Work Opportunity Tax Credit (WOTC) – The WOTC is a credit that is available to employers that hire individuals from certain targeted groups. This was set to expire on Dec. 31, 2020 but has now been extended until Dec. 31, 2025.

- New Markets Tax Credit (NMTC) – The NMTC is an investment incentive program that provides federal tax credits in exchange for investments in low-income communities. These credits are authorized by Congress but are then allocated by the Treasury Department to Community Development Entities (CDEs). The CDEs pass these credits along to investors that make investments into qualifying development projects. The NMTC was set to expire on Dec. 31, 2020, but it has been extended untilDec. 31, 2025. The carryover period for the unused NMTC limitation has also been extended through 2030.

- Excise taxes on beer, wine, and spirits makers – The new Covid Relief Bill makes permanent the lowered excise taxes that were implemented as part of the Tax Cuts and Jobs Act. These were set to expire on Dec. 31, 2020.

Please do not hesitate to contact our Financial Services team at TSG at 340-776-0640 for assistance navigating these and other tax planning opportunities in 2021.