

Our newsletter contains key aspects of the recently enacted Consolidated Appropriations Act of 2021 (CAA) along with the continuing relevant provisions of the Federal CARES and SECURE Acts, as well as the MI COVID-19 Relief Bill.

INDIVIDUAL PROVISIONS

Individual Stimulus Checks (direct deposit)

After months of haggling over amounts, Congress agreed to the payment of \$600 per person in your household (single filers = \$600; married with two dependent children = \$2,400). Direct deposits began December 30! Income thresholds remain the same as the first stimulus rules:

- Single with adjusted gross income (AGI)
 - Under \$75,000 full credit 😊
 - Over \$99,000, nothing 😞
- Married with adjusted gross income (AGI)
 - Under \$150,000 full credit 😊
 - Over \$198,000, nada 😞
- Income between these dollar thresholds will receive proportional amounts



Unlike the first round of stimulus where the IRS used 2018 incomes if you had not yet filed 2019 return, this round will rely on 2019 information only.

Can I Get More Stimulus Money?

In the Spring and Summer of 2020, the IRS mailed out over 140 million stimulus payments under the CARES Act. And, in December, Congress passed the Coronavirus Relief Bill that enables taxpayers to receive a second round of stimulus money. In a rush to get stimulus payments out, Uncle Sam used the information from your 2018 or 2019 tax returns. You may be eligible for more stimulus money than you initially received, if any of the following apply to you in the 2020 tax year:

- Your adjusted gross income fell below \$99,000/single & \$198,000/married filing joint
- You had or adopted a child
- You were claimed as a dependent in 2019 or 2018, but not in 2020
- You did not make enough money to file a return in 2018 and

2019 and you did not report your income on the IRS Non-Filers website (hey college students and low-income taxpayers, this might be you)

When we file your 2020 tax return, we will be asking you to report the total stimulus payment that you received in 2020 and 2021. If you are entitled to more stimulus due to one of the items above, the additional payment will be reported as a credit on your 2020 tax return. If you already received a stimulus payment and your 2020 income would disqualify you from receiving some or all of the stimulus, you get to keep the payment anyway. **The IRS will not be asking for it back!**

How about a third stimulus check?...Entirely possible given the comments made by Democratic leaders, Biden, Pelosi and Schumer.

Charity

- The CARES Act created a new “above the line” charitable deduction of \$300 for 2020 for those who don’t itemize
- The CAA doubled this amount to \$600 for married couples in 2021



Note: The deduction is available to everyone this year (2020) so please provide us with your charitable deduction even if you no longer itemize (see tax questionnaire)

RMDs (Required Minimum Distributions)

The SECURE act raised the age at which our RMDs must start from 70 1/2 to 72. QCDs (qualified charitable distribution) are still allowable by making your IRA distributions directly to charitable organizations - limit of \$100,000/year

BUSINESS PROVISIONS

MI Relief Provisions

A \$63.5 million fund has been created for small businesses currently shutdown due to COVID 19 restrictions. To qualify:

- 100 or fewer employees
- Must not exceed \$20,000 for a business that has been closed or \$15,000 for a business that has been partially closed as a result of the gatherings and face mask order.
- Must be used only for working capital to support payroll expenses, rent, mortgage payments, utilities, and costs related to reopening a business



- Grant applications shall be accepted, reviewed and approved by a local nonprofit economic development organization that previously participated in the Michigan small business relief program. Organizations are currently accepting applications for grants.

SBA Changes

- EIDL emergency grant monies are tax free 😊
- SBA payments made on borrowers behalf are tax free (also see below) 😊
- The administration of the SBA shall make an additional six months of tax free payments in 2021 for covered loans 😊
more on reverse...

Payroll Protection Program (PPP)



The CAA made lots of changes to this program so hold on to your hat!

- Congress got the last word with the IRS on taxability:
 - Loan forgiveness is tax free!
 - Expenditures used for loan forgiveness are fully deductible
- New simplified procedures for automatic loan forgiveness for loans under \$150,000
- EIDL emergency advances no longer reduce PPP forgiveness amount. Adjustments to be made for those already having received forgiveness
- ERTC and the PPP are retroactively no longer mutually exclusive
 - Businesses receiving PPP loans in 2020 may be eligible to claim ERTC credits as long as they qualify for both and expenditures are not “double dipped”
 - Business claiming the ERTC credits in 2020 may be eligible for PPP 2 loans under either old or new rules

Payroll Protection Program Part 2 (PPP2)

Businesses having already received a PPP loan may reapply for another loan (PPP 2) under the following conditions:

- The business had at least a 25% reduction in gross receipts in any calendar quarter in 2020 compared to the same quarter in 2019
- Cannot employ more than 300 employees (for those with multiple locations - no more than 300 employees per physical location)
- Same calculation of amount (2 1/2 times average monthly 2019 payroll costs) EXCEPT for those in the Accommodation and Food Services industry which will get 3 1/2 times average 2019 payroll costs!
- Additional eligible expenses
- Same 60/40 cost allocation between payroll/non payroll costs
- 501c6 (Chambers of Commerce and other non-profit business reporting organizations) that don't receive more than 15% of receipts from lobbying are now eligible



Eat, Drink, and be Merry

- Domestic beer producers received a permanent excise tax reduction to \$3.50 per barrel on the 1st 60,000 barrels produced and \$16.00 per barrel on those producing fewer than 2 million barrels annually
- Businesses can go back to deducting 100% of their qualified business meals and beverages for 2021 and 2022 (As opposed to 50% in 2020 and prior years). Certainly time to support your local food and beverage establishments with your business meetings!



Employee Retention Tax Credit (ERTC) 1/1/21 - 6/30/21

- As mentioned earlier those receiving PPP loans are no longer disqualified from receiving ERTC credits (no double dipping on eligible expenses, however)
- Expands business qualifying from 100 employee threshold to 500 or fewer. Even certain government instrumentalities will now qualify
- Credit increased from 50% to 70% of qualified wages
- Qualified wages increased from \$10,000 per year to \$10,000 per quarter
- Gross receipts eligibility threshold is reduced from a 50% decline quarter to quarter (2021 compared to 2019) to 20%
- Special Q1 2021 qualification rule, two options:
 - Compare gross receipts Q4 2020 to Q4 2019, if at least a 20% decline then ERTC eligible for Q1 2021 or
 - Compare gross receipts Q1 2021 to Q1 2019, if at least a 20% decline then ERTC eligible

PPP, PPP2, ERTC, oh my! But what is best for my business? Every industry and business is unique, of course. We encourage you to seek us (your H&S professional) out for help in planning and filing the best program(s) for your unique situation. We are here for you and want to help you receive all that is available for the success of your business.

Important Facts & Figures

	2020	2021
Mileage Rate	57.5 cents/mile	56 cents/mile
Federal Minimum Wage	\$7.25	\$7.25
Michigan Minimum Wage	\$9.65	\$9.65
Tipped Employees	\$3.67	\$3.67
Social Security Wage Base	\$137,700	\$142,800
Earning Limit for SS Recipients Under Age 66	\$18,240	\$18,960
Tax Free Gift Per Person	\$15,000	\$15,000
Tax Free Estate: Individual	\$11,580,000	\$11,700,000
Married	\$23,160,000	\$23,400,000
IRA: Under 50	\$6,000	\$6,000
50 or Older	\$7,000	\$7,000
SIMPLE: Under 50	\$13,500	\$13,500
50 or Older	\$16,500	\$16,500
401K: Under 50	\$19,500	\$19,500
50 or Older	\$26,000	\$26,000
HSA Individual: Under 55	\$3,550	\$3,600
55 or Older	\$4,550	\$4,600
HSA Family: Under 55	\$7,100	\$7,200
55 or Older	\$8,100	\$8,200

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