

HONECK ·
O'TOOLE

...where people count

revenue news

Ideas to help small businesses and individuals maximize income while minimizing taxes.

1st Quarter 2021

NAVIGATING COVID-19 TAX PROVISIONS AND BENEFITS

On December 28, 2020 Congress passed the COVID-Related Tax Relief Act of 2020 (COVIDTRA) and the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (TCDTR), as part of **The Consolidated Appropriations Act, 2021 (CAA, 2021)**. And with that event, numerous changes were made to tax rules and breaks. Here are the most important changes that may affect you.

\$600 refundable tax credit to eligible individuals:

- The credit is \$600 per taxpayer (\$1,200 for married filing jointly), in addition to \$600 per qualifying child. The credit phases out starting at \$75,000 of modified adjusted gross income (\$112,500 for heads of household and \$150,000 for married filing jointly) at a rate of \$5 per \$100 of additional income.
- If you received an advance payment that exceeds the above amounts, you will not be required to repay any amount of the payment.
- A credit is available on your 2020 return if you didn't receive the payment. Also, if the amount of the credit determined on your 2020 tax return exceeds the amount of the advance payment received, you'll get the difference as a refundable tax credit.

\$250 Educator Expense Deduction Applies to PPE:

- Eligible educators (i.e., K-12 teachers, instructors, etc.) are allowed a \$250 above-the-line deduction for certain otherwise allowable trade or business expenses paid by them. The IRS is expected to clarify that expenses include personal protective equipment (PPE), disinfectant, and other supplies used for the prevention of the spread of COVID-19 are treated as part of this category. Such regulations or other guidance will apply to expenses paid or incurred after March 12, 2020.

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IMPORTANT DATES FOR 2020 TAX SEASON

Individual Returns:

- **We need ALL your information by Monday, March 1st** so we can file your return by April 15th. (Any final missing items before April 5th.) We will need additional time to prepare your returns due to the pandemic, and we anticipate filing more extensions than in previous years.
- **If you're unable to meet this deadline**, we'll file an extension for you. However, you'll need to send any balances due to the IRS and state(s) **on or before April 15th**. We can help you estimate the amounts.

Business Returns:

We need your information as soon as possible so we can help you file your return by the March 15th deadline. Or, we can extend until September 15th, 2021. Sooner is always better! 📅

IMPORTANT E-FILE FORM!

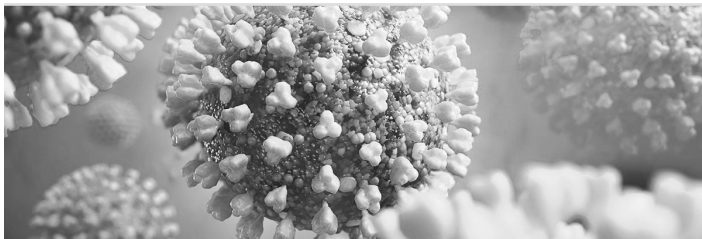
We're required to file all returns electronically. When we send your return to you, **please sign and return the included authorization form(s) 8879 no later than 5:00 PM on Friday, April 9th, 2021** so we can efile your return before Thursday, April 15. Every return has its own eFile form(s) every year, and can only be signed once the returns are complete. Some states (not Maine) even have separate eFile forms that must also be signed and returned to us. **Read your cover letter for instructions**, and return the signed form(s) by uploading to your SmartVault Client Portal or mailing to our office. Don't wait until April 15th to return the authorization form(s)!

GOT YOUR 2020 TAX YEAR ORGANIZER?

In mid-January, we mailed our annual Tax Organizer questionnaire to use for gathering the 2020 items we need to prepare your income tax return. If you didn't receive your Organizer yet, please call or email us right away: **207-774-0882** or **info@honeckotoole.com**. When sending us your documents, please do not staple, tape, or clip any forms (W-2s, 1099s, etc.) directly to your Tax Organizer pages. And, please do not send us unopened mail with tax information. Just send us the necessary pages. **Thank you!** 📅

PLEASE DO NOT BRING YOUR TAX MATERIALS TO OUR OFFICE.

The fastest and most secure way is through your **SmartVault Client Portal**. Need help accessing your Client Portal? Contact us: **207-774-0882** or **info@honeckotoole.com**. 📅



Individuals May Base 2020 Refundable CTC and EIC on Preceding Year's Income:

- To the extent the child tax credit (CTC) exceeds your tax liability, you're eligible for a refundable credit equal to 15% of your taxable earned income. And, the earned income credit (EIC) equals a percentage of your earned income up to a \$1,400 credit per qualifying child.
- **New With CAA:** In determining the refundable CTC and EIC for 2020, you may elect to substitute earned income for the 2019 tax year if it's greater than 2020 income.

Certain Charitable Contributions Deductible by Non-Itemizers:

- For 2020, if you normally don't itemize deductions, you may take up to a \$300 above-the-line deduction for cash contributions to qualified charitable organizations. This limit also applies to married filers. A 20% penalty applies to tax underpayments attributable to any overstated cash contribution by non-itemizers.
- **New With CAA:** The above deduction rule is extended through 2021, allowing individuals an above-the-line deduction of up to \$300 (\$600 for married filers). **Keep your contribution receipts because an increased penalty of 50% applies to tax underpayments attributable to any overstated cash contribution by non-itemizers.**

Modification of Limitations on Charitable Contributions:

- Under pre-TCDFR and pre-CARES Act law, individuals could not take an itemized deduction of more than 60% of their contribution base on charitable contributions of cash to most charities. The CARES Act provided that taxpayers could substitute 100% for 60% on contributions made in 2020.
- **New With CAA:** TCDTR extends the CARES Act provided that tax payers could deduct 100% (up from 60%) of contributions made in 2020.

Questions about these provisions?

Contact us at **207-774-0882**

or **info@honeckotoole.com**. 📧

Q&A: PAYCHECK PROTECTION PROGRAM (PPP) AND PAYROLL TAX CREDIT CHANGES

As part of the recently passed CAA, 2021, Congress clarified PPP and other COVID-related items. Some of the most common questions are:

Can I deduct expenses paid for with PPP loan proceeds?

Yes. Businesses can deduct expenses paid with forgiven PPP loans.

Is the forgiven loan includible in income? Typically, forgiven debt is considered taxable income... but in the CARES Act, lawmakers specified that forgiven PPP loans would not count as taxable income. The new clarification cements the original intent of tax-free forgiveness and deductibility into law.

What changed with the payroll tax credit employees can apply to employee wages (the ERTC)?

The Employee Retention Tax Credit (ERTC) has been expanded. Employers may claim a 70% tax credit (up from 50%) on up to \$10,000 in wages paid to employees per quarter (up from \$10,000 per year) through July 1, 2021, resulting in up to a maximum of a \$14,000 credit per employee (up from \$5,000).

To qualify, your business must be suspended due to government actions related to coronavirus, or you saw a 20% decline (down from 50%) in gross receipts during a calendar quarter when compared to the same quarter in the previous year. For businesses with 500+ employees (expanded from 100+ employees), the credit can only be applied to employees unable to do their duties due to suspension or lost income.

If a business takes a loan through the PPP, can it also take the ERTC? Businesses may have access to both the PPP and the ERTC, but the new law prevents a double benefit from both programs.

Has the coronavirus-related paid sick and family leave been extended?

The Families First Coronavirus Response Act created tax credits on employer-side Social Security payroll taxes to offset paid family and sick leave related to the coronavirus. These have been extended through March 2021.

Questions about your specific situation related to the PPP and ERTC?

Contact us at
207-774-0882 or
info@honeckotoole.com. 📧



DISCLAIMER: Any accounting, business, or tax advice contained in this communication are not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.



MEET OUR NEW TEAM MEMBER, LAURIE ROY

Welcome Laurie Roy as a Honeck O'Toole staff Tax Preparer! Laurie has worked in CPA firms for over 30 years, in Alaska, Washington state, Rhode Island and now Maine. She's experienced with individuals, trusts and estates, and S-Corporations... and she looks forward to getting to know our clients, developing relationships and helping out with various tax situations.

Laurie lives in Cumberland with her husband, two young-adult daughters, and their dog, Maggie. She looks forward to exploring Maine's small towns, going for hikes, and spending time with family and friends. 📍



JULIE BENNETT RETURNS FOR TAX SEASON

Each year, we enlist the help of one or more seasonal professionals to help us process, complete and file more than 1,800 individual tax returns in a very short time.

We're delighted to welcome back our amazing pro for this tax season: Julie Bennett. We couldn't possibly get everyone's returns completed by the April deadline without her assistance. She may be contacting you with questions about your tax return, if needed. Thanks in advance for helping her complete your return! 📍

ELECTRONIC PAYMENTS (EFTPS): MORE RELIABLE THAN MAIL

You may have noticed a delay in the mail over the past couple of months. In addition, the IRS is still behind in processing payments. The mailing of checks sent to you or BY you are all quite unpredictable at this point.

A great solution? The Electronic Federal Tax Payment System (EFTPS) — a free service that allows you to receive payments or pay taxes online.

IDENTITY PROTECTION PIN OPT-IN

In January, the IRS Identity Protection PIN Opt-In Program was expanded to all taxpayers who can properly verify their identity (Social Security Number (SSN) or Individual Tax Identification Number) on the IRS website. The IP PIN is a 6-digit number assigned to eligible taxpayers to help prevent the misuse of their SSN on fraudulent income tax returns.

Get an IP PIN

Here are the basics:

- The online "Get an IP PIN" tool is the only one that immediately reveals the PIN to the taxpayer.
- If you want to voluntarily opt in to the IP PIN program, you don't need to file a Form 14039, Identity Theft Affidavit.
- The IP PIN is valid for one year. Each January, the taxpayer must obtain a newly generated IP PIN.
- The IP PIN must be properly entered on electronic and paper tax returns to avoid rejections and delays.
- Any primary taxpayer (listed first on a return), secondary taxpayer (listed second on a return) or dependent may obtain an IP PIN if they can pass the identify proof requirements.
- There is no change in the IP PIN program for confirmed victims of a tax-related identity theft. Those taxpayers should still file a Form 14039 if their e-filed tax return rejects because of a duplicate SSN filing.

Questions? Start here: <https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin>

Or, contact us at 207-774-0882 or info@honeckotoole.com.

SEND US YOUR TAX INFORMATION BY MARCH 1ST TO MEET YOUR APRIL 15TH, 2021 FILING DEADLINE!

Questions? During tax season, we're incredibly busy, so it may take a little longer for us to get back to you. We appreciate your patience! **Thank you.**

You'll find instructions on this IRS website: <https://www.eftps.gov/eftps/direct/HelpAboutMain.page>.



The same goes for Maine tax payments. You can sign up to manage everything online at <https://portal.maine.gov/ezpay/welcome>.



Call or email us if you have any questions. 📍

CLIENT PROFILES

STEVE QUINN – Writer, Photographer, Researcher

In Steve's words, "Some people see me as a writer; others see me as a photographer; and some view me for my research capabilities. I try bringing all three together and see myself as a storyteller." He told us that he's enjoyed his storytelling career, especially in Alaska for the last 14 years. He's written for several media outlets, mostly as a freelance journalist, and has been fortunate enough to visit some of Alaska's far-flung communities, accessible only by seaplane or boat. We imagine that it's been a unique and breathtakingly beautiful journey, especially if exploring Alaska is on your bucket list.

Through it all, Steve said, "I've learned about this state's history, be it an oil pipeline that underpinned Alaska's economy for 45 years or the cultural roots and origins of the indigenous people." Steve remains in touch with some of the people who welcomed him into their homes, their offices and their communities.

However, he told us, "One population I can't remain connected to personally but still have a nice collection of photos: brown bears. I had the pleasure of visiting a protected bear refuge that limits the number of visitors each day and by permit only. Hunting is forbidden. They are for viewing or photographing only. The memories remain as vivid today as the day I visited four years ago." If you'd like to connect with Steve, visit his LinkedIn page: www.linkedin.com/in/steve-quinn-5676013a/

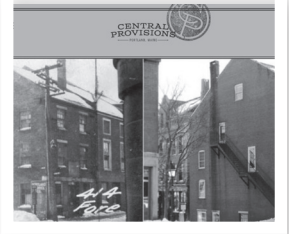


CENTRAL PROVISIONS Paige Gould

Central Provisions, established in 2014, is normally an internationally inspired small plates restaurant that uses local ingredients. But COVID-19 changed all that, and Paige Gould and her team took action to survive. She told us, "We've changed our restaurant in so many ways over the last year. The front of the restaurant has been turned into a little market that sells provisions, wine, and beer, as well as a selection of sandwiches and sides. We'll be doing this pop-up through April."

Paige said that they completely changed their restaurant model three times in the past year. In July 2020, they started a "Tiki Takeover" pop-up to give guests the concept of escapism. They also offered a dining patio, which they hadn't done before. In October, they transitioned back to indoor dining... but by the time November rolled around, they didn't feel comfortable continuing indoor dining with COVID numbers going up every single day.

Paige said, "I cannot stress how incredible our staff has been throughout this whole process. On a daily basis, there are new challenges that arise, and they are amazing at just rolling with the punches. We would never be able to do it without them." She added this request to support all local restaurants: "All of your favorite restaurants are struggling right now. Please support them in any way you can. Get takeout. Buy gift cards and wait to use them. If you can't afford to help in monetary ways, share their posts on social media and encourage other people to eat there." Their website is www.central-provisions.com.



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Call for Assistance Anytime! We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money.

www.honeckotoole.com

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