



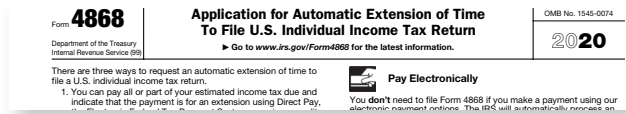
HONECK ·
O'TOOLE

...where people count

2nd Quarter 2021

renews

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



IRS FORM 4868: What Happens When We File an Extension on Your Behalf?

During the 2020 tax season, we had a March 1st cutoff date, (a little longer than the usual 30-day turnaround in prior years since we were short staffed) to receive information in time to prepare and file each client's return.

This year we had to file a larger than usual number of extensions for clients for a variety of reasons.

- First, it's important to note that an extension of time to file your tax return is not an extension of time to pay any taxes due. So, we notified clients that they should send payments by May 17th to the IRS and state(s) if there was going to be a balance due. This way, you'd avoid any penalties for paying late. If you normally send estimated quarterly payments for a small business, etc., we probably would have asked you to send the payment by April 15, 2021 to cover the first quarter.
- Next, we're working our way through the extended returns based on the date we received the information. The challenge is, we don't begin looking at the late information until a few days after the May 17th deadline because most of our team takes a much needed and well-deserved break after the frenzy of tax season. We were able to complete many more returns in advance of the June 15th due date for second quarter estimated tax payments. We will have the remaining ones done well before the extension deadline of October 15, 2021 (calendar year business returns are due September 15th and calendar year trust returns are due September 30th). As soon as we complete your return, we'll send it to you with the final refund amount or balance due. If it turns out you overpaid your taxes on May 17th, the excess amount can be refunded or applied to your 2021 estimated tax payments.

If you have questions, please get in touch with us:
207-774-0882 or info@honeckotoole.com

2020 TAX SEASON: A WHIRLWIND AT HALF STAFF

What can we say about the unusual 2020 tax season? First, the rules (and tax software) kept changing on us, so we needed to redo or delay many of the returns we were working on. This was especially true if the returns involved PPP funding, payroll credits, unemployment compensation, or stimulus credits. We've never seen anything like it!

Second, our seasonal tax preparers weren't available — and we couldn't have too many folks in our office, anyway. The upshot? Our core team worked tirelessly from January through May to get over 1,000 returns filed. If you filed an extension, please see the article on page 1. We appreciate your patience and your continued faith in us. **Your Honeck O'Toole Team**

WE'RE HIRING! To make sure we provide exceptional service to all our clients, we need to expand our staff. We're looking for a CPA (or close to it), with 3-5 or more years of experience in public accounting and an interest in tax and financial planning. Perhaps you're a senior-level CPA or just an extraordinary professional looking for a friendly new work environment. Let's talk if you're curious, committed and creative — and you'd enjoy solving problems for our clients. **Contact us for details: 207-774-0882 or info@honeckotoole.com.**

P.S. Please share this with anyone you know who's a possible candidate for this description. Thank you!

SUMMER 2021 OFFICE HOURS

Our offices are now fully open as we continue following CDC guidelines. We'd be happy to see you for tax/financial needs. Appointments are preferred, please. **NOTE: Summer Fridays are back!** This means Fridays are "business casual" after Memorial Day until Labor Day. Also, we're closed every Friday in July and August, through Labor Day. However — clients come first! If Friday is the only day you can meet with us, we'll be here. Just let us know.

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TWO DEPENDENT-RELATED TAX CHANGES IN 2021

We fully expect several tax changes to be implemented in 2021, and we'll keep you posted. For now, here are two important changes that may affect you as related to dependent care and the child tax credit.

Carryover Allowed for Unused Dependent Care Assistance Program (DCAP) Funds

The Dependent Care Assistance Program (DCAP) is an IRS provision to help you pay for qualifying childcare or elder care expenses while you work. The DCAP allows you to set aside money from your paycheck on a pretax basis. (Under these plans, part of a cafeteria plan, an employer allows employees to set aside a certain number of pre-tax wages to pay for dependent care expenses... and then the employee's expenses are reimbursed from the DCAP.)

However, because of the pandemic, many people were unable to use the money they set aside in their dependent care assistance programs in 2020 and 2021. The primary reason is that many childcare and elder care providers were shut down and didn't allow in-person services for many months.

Usually, carryovers of unused DCAP amounts are NOT permitted, but COVID-19-related legislation allowed employers to amend their plans, allowing carryover of unused amounts to plan years ending in 2021 and 2022. This is great news as childcare and elder care services open back up in 2021!

The Consolidated Appropriations Act, 2021 is the legislation that extended the grace period for carrying over unused DPAC amounts. Another piece of legislation, the American Rescue Plan Act, increased the amount you are allowed to set aside for DCAP for 2021. The contribution limit to a DCAP in 2020 was \$5,000, subject to earned income limitations. For 2021, the contribution limit is \$10,500. This increased amount is for 2021 only and does not extend to 2022 or beyond. If you end up carrying over more than \$5,000 to 2022 from 2021, please reach out as there may be tax implications.

Advance Child Tax Credit Payments Begin July 15th

By now, you may have heard about the new \$3,000 or \$3,600 IRS child tax credit (CTC) — and the advance payments qualifying families will receive in 2021. If not, here's a quick overview.

Under the American Rescue Plan Act of 2021 ("American Rescue Plan"), the annual CTC amount has been increased quite a bit, but just for this year. As always, depending on annual income and other factors, some parents won't qualify for the increased credit, and others won't receive any CTC payment. In other words, the credit phases out for taxpayers with adjusted gross incomes over certain thresholds: \$150,000 for married taxpayers filing jointly, \$112,500 for heads of household, and \$75,000 for all others.

The IRS recently announced that the 2021 CTC payments will begin on July 15, 2021, and will be made on the 15th of each month after, unless the 15th falls on a weekend or holiday. If you qualify, you'll receive the monthly payments through direct deposit, paper check, or debit cards. You don't need to take any steps to receive CTC payments if you qualify. (Note: A qualifying child is defined as, "An under-age-18 child, whom the taxpayer may claim as a dependent (i.e., a child related to the taxpayer who, generally, lived with the taxpayer for at least six months during the year), and who is a U.S. citizen or national, or a U.S. resident.")

The total advance payments will be up to 50% of the CTC. The advance payment amount will be estimated based on your 2020 tax return, or 2019 if 2020 has not been filed. For 2020, the CTC was \$2,000. For 2021, the amount is \$3,000 per qualifying child between the ages of 6 and 17. For children under 6, the credit is \$3,600.

The IRS has not issued guidance on how it will be tracking the amounts paid for when it comes time to prepare the 2021 tax returns. Be sure to keep track, and let us know since it will affect the amount we can claim on your 2021 return. 📅



Questions? Call 207-774-0882 or email info@honeckotoole.com.

THE IRS MAKES BUSINESS MEALS 100% DEDUCTIBLE, EXCEPT...

Support your local restaurants and get a deduction when dining out for business! To help bolster the hard-hit restaurant industry, the IRS is allowing a 100% business meal deduction for tax years 2021 and 2022.

Under Sec. 274(n)(1), a business deduction for food or beverage expenses is generally limited to 50% of the amount. However, the Consolidated Appropriations Act, 2021, P.L. 116-260, enacted a temporary exception — changing it to 100% to help restaurants. According to the IRS, “The term ‘restaurant’ means a business that prepares and sells food or beverages to retail customers for immediate consumption, regardless of whether the food or beverages are consumed on the business’s premises.” (So, this doesn’t apply to prepackaged food or beverages from a grocery store, convenience store, or vending machine. Those are still limited to 50%.)

We hope this encourages you to hold your client meetings and other business-related events at a local restaurant or have food provided by them. This helps the local economy, so everyone wins!



IMPORTANT EXCEPTION: Maine's deduction stays at 50%

Maine Revenue Services does not follow the new IRS 100% exception. Instead, as always, the deduction is limited to 50% of business meal expenses on the Maine return.

A Quick Reminder on Deductibility of Business Meals:

Regardless of the whether it is the 100% or 50% deductibility, to be deductible a business meal must meet the following criteria:

- 1) the expense is an ordinary and necessary expense paid or incurred during the tax year in carrying on a trade or business;
- 2) the expense isn't lavish or extravagant under the circumstances;
- 3) the taxpayer, or an employee of the taxpayer, is present at the furnishing of the food or beverages;
- 4) the food and beverages are provided to a current or potential business customer, client, consultant, or similar business contact (You must be able to establish the amount spent, the time and place, the business purpose, and the business relationship of the individuals involved.); and
- 5) if food and beverages are provided during or at an entertainment activity, then they're bought separately from the entertainment, or their cost is stated separately from the cost of the entertainment on one or more bills, invoices, or receipts. The food and beverage charge must not be inflated to circumvent the entertainment disallowance rule. 🚫

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A FOND LOOK
BACK AT TAX
SEASON 2020

HOW I FEEL



AFTER TAX SEASON

WHEN FRIENDS ASK HOW YOU'RE
DOING

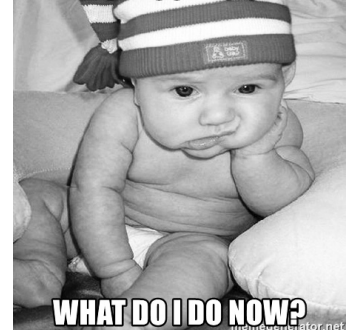


HALF WAY THROUGH TAX
SEASON

ME THE MORNING
AFTER THE TAX DEADLINE



TAX SEASON IS OVER



WHAT DO I DO NOW?

QUESTIONS?

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.

CLIENT PROFILES

Patrick Babcock, Founder, CEO & Admissions Director FOUNDATION HOUSE



Portland, Maine, is one of the top U.S. cities for people in recovery, mainly because of Foundation House — a local residential program devoted to helping recovering addicts thrive — was the first to work both nationally and internationally. Not only does Foundation House provide intensive outpatient therapy through a practical and holistic approach to the 12 Steps of Alcoholics Anonymous — it promotes family-style living through shared meals, chores, and activities such as gym workouts, yoga, cooking classes, holistic health lessons, a float spa, woodworking, travel, volunteer programs, and sports leagues.

Patrick Babcock told us he established Foundation House in 2002 as an environment that teaches residents not just how to get sober, but how to stay sober... paying forward his own experience in recovery for young men battling alcoholism and chemical dependency. *"If I were to attribute our success to anything, I'd say that it is 51% the independently nuanced way we do what we do, and 49% Portland, Maine. There's no other place in the world that would support us the way all the people and facilities here support us."*

When asked how the program fared during the pandemic, Patrick said, *"Honestly, better than ever. Our staff and clients had their best year ever. We grew closer. Worked harder. And we worked smarter. Our facilities operate as a small city and retreat unto themselves. As a result, our organization, besides wearing masks and operating according to CDC guidelines, never missed a beat. As the saying goes, we didn't just survive, we thrived."* For more information, visit foundationhouse.com

Joy and Peter Cutrone ACADIA SEASIDE COTTAGES



Perched near Acadia National Park, in an oceanfront setting alongside one of Maine's most gorgeous coastal spots, Acadia Seaside Cottages are the ideal escape. Owners and hosts, Joy and Peter Cutrone, both grew up in the Northeastern United States, and Joy enjoyed family vacations in Acadia for many years. Their mission was to create cottages that encourage gatherings where multiple family generations or groups of friends can connect in common gathering areas while still having privacy and personal space.

We asked Joy and Peter how they made it through the past year. Joy told us, *"We would not have made it through without the support of the PPP, because the pandemic hit us hard. We had a lot of guests book, then cancel, and then new guests book, then cancel. It was difficult for people to plan, not knowing the future and evolving state requirements."*

Fast forward to 2021, and the Cutrones are enjoying a brisk upswing. *"Folks are deeply appreciative of being able to return to nature, take a vacation, and to plan for summer and fall,"* said Joy. *"When they arrive, they're thrilled to see their cottage, their view, and all that Acadia has to offer. We can almost hear them breathe a sigh of relief in the messages they send. So rewarding!"* The Cutrones would like guests to know that Acadia Seaside Cottages offer a wonderful place to reconnect this year with family, friends, with nature and with yourself. It's a renewing experience that we're happy to share with you. For more information, visit acadiaseasidecottages.com

SUMMER HOURS! WE'RE CLOSED EVERY FRIDAY IN JULY & AUGUST, THROUGH LABOR DAY



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.

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