



January Monthly Newsletter

2021

We are in the process of upgrading our phone system so our current phone numbers may not work until the upgrade is complete. Please use the following temporary numbers if you are unable to reach us with our existing numbers.

Hamilton: 513-758-3406 West Chester: 513-758-3429 Oxford: 513-813-0430

Important Reminders

January 15 - 4th Quarter Estimated Payments Due

January 18 - Martin Luther King Jr. Day

Start tax filing for 2020

- Organize filing records (W-2s, 1099s, 1098s, etc.) - Schedule tax appointment for drop off or meeting

Start tax planning for 2021

- Create simple budget - Adjust withholdings - Rebalance investment portfolio

January 31:

-Due date for employers to furnish W-2 statements to employees, and to file Forms W-2 with the Social Security Administration (both paper and electronic forms).

-Due date for payers to provide forms 1099 to contractors who worked for you and to the IRS

-Due date for employers to file 2019 federal unemployment tax returns and pay any tax due.

-Due date for providers to send Forms 1095 to recipients and the IRS.

2020 Client Tax Questionnaire:

"It is **imperative** that everyone fill out the Tax Questionnaire this year. With the pandemic and so many changes we **MUST** have the questionnaire filled out to ensure we get all the deductions we can for you!

Please click on the link below to access the questionnaire.

<https://www.stephensonwarnercpas.com/media/Existing%20Client%20Packet/2020%20Existing%20Client%20Packet.pdf>

Please see the instructions on the first page to return **securely**. You will need to email tmcdannold@sw.cpa and you will be sent a secure link to upload your questionnaire.

If you would prefer to fill the questionnaire out by hand, please email us at the above email or give us a call at 513.868.8600 and we can schedule a time for you to pick one up or mail one out to you.

Thank You

Happy New Year!

The new year begins with more stimulus payments and other financial assistance courtesy of the latest COVID relief legislation. Read about how the new bill affects your tax and financial outlook.

Also in this month's edition is good news for business owners regarding the tax deductibility of expenses paid for using PPP loan funds that are forgiven. You can also determine how much to contribute to your retirement fund in 2021 and see what Uncle Sam came up with for his New Year's resolutions.

Please call if you would like to discuss how this information could impact your situation. If you know someone who can benefit from this newsletter, feel free to send it to them.



[More Stimulus Payments on the Way](#)

What you need to know NOW!

You could soon see another stimulus payment in your bank account with the recent passage of the Emergency Coronavirus Relief Act of 2020, which means more direct relief to you and your family. Here are some of the major points you need to know that are buried inside this \$900 billion piece of legislation.

Direct stimulus payments to you. The legislation includes a \$600 payment per person, including adults and dependent children who are under age 17. Payments are based on your 2019 income and should start being distributed shortly, per Treasury Secretary Mnuchin. The payment amount phases out for adjusted gross incomes over \$75,000 for single taxpayers and \$150,000 for married couples.

Things to consider:

- If your income in 2019 is over the phaseout threshold, but not over the phaseout threshold for 2020, you will have an opportunity to request the funds on your 2020 tax return.
- Unlike the first round of stimulus payments in 2020, if you have someone in your household who is ineligible, you can still get payments for those individuals who are eligible.
- If the number of adults or dependents in your household changed during the year, you will need to keep track of this and be prepared to issue corrections to ensure you receive the correct payment amount.
- The payment mechanism in place for the initial 2020 direct stimulus payments should help facilitate distributions of this second round of direct stimulus payments.

Extension of unemployment benefits. Federal unemployment benefits of up to \$300 per week are extended through March 14. Benefits for self-employed workers, set to expire at the end of 2020, are also extended.

Things to consider:

- If you have not already done so, you must file for unemployment with your state.
- These benefits also apply to self-employed and part-time employees. Many workers who were eligible for this unemployment earlier in 2020 did not file because this class of workers is typically not eligible for most state unemployment programs.

New PPP loan funds. There is additional money available from the Small Business Administration (SBA) for a new round of PPP loans. The new loan program is targeted to businesses that need the funds. To qualify, your business must have 300 or fewer employees and have seen a drop in revenue of 25% or more during any quarter in 2020. Some of the money is earmarked for very small borrowers, underserved communities, and small lenders. There are even simplified requirements for forgiveness if the loan amount being applied for is less than \$150,000.

Eviction moratoriums and rent assistance. The bill extends until January 31, 2021 a moratorium on evictions that was scheduled to expire at the end of 2020. The bill also includes \$25 billion in emergency assistance to renters.

There is much more in this huge bill, including relief for hard-hit industries, education, student loans, and vaccine assistance. Please keep up-to-date as more is learned after a full review of the bill is made available.

“For in-depth analysis of the latest tax legislation, please [click on the link](#) to our website or visit www.sw.cpa”



PPP Loan Expenses Are Now Tax Deductible

If you or your business received funds from the Paycheck Protection Program (PPP), the recently passed Emergency Coronavirus Relief Act of 2020 will help to dramatically cut your tax bill. Here's what you need to know.

Background

The PPP program was created by the CARES Act in March 2020 to help businesses which were adversely affected by the COVID-19 pandemic. Qualified businesses could apply for and receive loans of up to \$10 million. Loan proceeds could be used to pay for certain expenses incurred by a business, including salaries and wages, other employee benefits, rent and utilities.

If the business used at least 60% of loan proceeds towards payroll expenses, the entire amount of the loan would be forgiven.

The Dilemma

While the CARES Act spelled out that a business's forgiven PPP loan would not be considered taxable income, the legislation was silent about how to treat expenses paid for using PPP loan proceeds if the loan was ultimately forgiven. Congress intended for these expenses to be deductible for federal tax purposes. But since the legislation was silent on this issue, the IRS swooped in and deemed these expenses to be nondeductible.

There was considerable debate over the latter half of 2020, with Congressional politicians explaining that their intent was that the expenses be deductible and the IRS responding "Too bad, they're nondeductible."

The Solution

Congress overruled the IRS's position in the Emergency Coronavirus Relief Act of 2020. The legislation officially makes deductible for federal tax purposes all expenses paid for using proceeds from a forgiven PPP loan.

Stay tuned for updates as to how this new legislation affects your business.



[2021 Retirement Plan Limits](#)

As part of your 2021 tax planning, now is the time to review funding your retirement accounts. By establishing your contribution goals at the beginning of each year, the financial impact of saving for your future should be more manageable. Here are annual contribution limits for 2021:

Take action

If you have not already done so, please consider:

- Reviewing and adjusting your periodic contributions to your retirement savings accounts to take full advantage of the tax advantaged limits
- Setting up new accounts for a spouse or dependent(s)
- Using this time to review the status of your retirement plan
- Reviewing contributions to other tax-advantaged plans including flexible spending accounts and health savings accounts



[Make Preparations For Form 1099s This Year](#)

Be looking for new Form 1099-NEC!

Here are three tasks to consider that will make meeting your business's information reporting requirements less stressful this tax season.

- **Review your general ledger.** Even if you've already identified 1099 vendors in your payables system, review current year expenses to make sure no new or infrequent payments have been overlooked. For example, it's easy to forget that fees totaling \$600 or more paid to service providers must be reported on a Form 1099. But be careful! There is a new form this year, Form 1099-NEC. Be sure to know whether you should use the existing Form 1099-MISC or the new Form 1099-NEC.
- **Verify vendor information.** Check your files for up-to-date Forms W-9, the form you use to request a vendor's federal taxpayer identification number (TIN). In general, you should have Form W-9 on file for each vendor who provides services, even if the transaction is a one-time event. Why? Filing mismatched 1099 forms - where the combination of name and TIN do not match IRS records - will result in a notice, and possibly penalties. To avoid problems, consider signing up for the TIN Matching Program, an online service run by the IRS, so you can verify identification numbers prior to filing 1099s.
- **Order forms.** If you plan to file paper forms this year, the copy you mail to the IRS must be on forms preprinted with scan-friendly ink. You'll also need Form 1096, the annual summary, for each type of information return you file.



Uncle Sam's New Year's Resolution

As new year's celebrations are in the rearview mirror, it's nice to continue celebrating the resolutions that we are definitely going to achieve! So we asked Uncle Sam - yes that Uncle Sam - what his new year's resolutions were.

This is what he told us...

- **Help the federal government spend less money than it collects.** If your family needs to make sure it only spends what it makes, why shouldn't I do the same thing in my federal home? One can only dream...
- **All 50 states using the same taxation rules.** When at state gatherings, my head starts to spin when states tell me all their rules. One state taxes pumpkins you carve, but not ones you eat. Some states let every single city set their sales tax rates, while others don't tax sales at all! 50 states, 50 sets of very different rules. Ugh. I resolve to do my best to get these guys to unify their rules!
- **Let's all be friends...with a limit.** I keep inviting everyone to my parties, but only half show up when I send out the invite list. I don't get it. I resolve to upgrade my food and beverage choices if you all promise to show up, be pleasant and have a good time. Oh, and not that I don't love you all, but how about some end to everyone's terms...Your states need you too!
- **Be more unplugged.** With all the entertainment and creativity in the news today, it is hard not to be bombarded all the time. I resolve to stay unplugged more often and just talk to others. It may be difficult, but I will start with one day, then try for two. Maybe even try an entire week.
- **Think for myself.** And, considering the news stuff I read and see every day, I resolve to think for myself instead of getting caught up in being told what to think about an event. I know, how can I do this when EVERYONE is so focused on telling me what to think instead of presenting the facts and letting me figure it out for myself.
- **No more last-minute changes.** I resolve to set the tax rules for the year BEFORE the year starts. Stop laughing! I really mean it this time.
- **Continued generosity.** The pandemic has shown that there are still plenty of people who don't think twice about helping those who find themselves in unfortunate situations. So I resolve to do a better job of helping, even when not asked.
- **I resolve to resolve.** I know, a lot of my resolutions were the same as last year and the year before. Therefore, I, Uncle Sam, resolve to keep my resolutions for at least one day...this time.

Thanks, Uncle Sam! With all the hardships last year, it's always nice to find a way to smile, even if for a brief moment.



[Seven Tips For Financial Wellness in 2021](#)

Common New Year's resolutions are to lose weight or become more active. Perhaps 2021 is the year to shift focus. Here are seven tips to help you become more financially fit.

- **Create a budget.** It's easy to get into financial trouble if you spend more than you earn. By watching your budget more carefully, you might be surprised by how much you spend in certain areas of your life. Many banks and credit unions offer budgeting tools directly on their websites.
- **Get a free credit report.** You can obtain a free copy of your credit report from each of the three major credit reporting agencies every 12 months. Reviewing your reports regularly can help ensure the data in your report is accurate and allows you to contact creditors to dispute any errors.
- **Pay down debt.** Start chipping away at your debts through a series of regular payments. Begin with bills that have the highest interest rates. Research whether it makes sense to consolidate debts at a more reasonable interest rate.
- **Review your investments.** With recent changes in Washington, D.C. and market volatility, reviewing your investments is more important than ever. Protect yourself against risks by diversifying across different classes of investments. If you have not developed an asset allocation plan, do so. If you have, adjust your portfolio to ensure it is still meeting your objectives.
- **Plan ahead for retirement.** Take advantage of tax-favored retirement plans such as a 401(k) at work. Both the contributions and earnings are tax-deferred and can compound over time. The 401(k) limit for 2021 is \$19,500 (\$26,000 if you're age 50 or over). Also consider contributing to an IRA, which has a contribution limit of \$6,000 (\$7,000 if you're age 50 or older).
- **Check your insurance coverage.** Things can change over time, so don't assume the coverage you acquired years ago still provides adequate protection for your family or business. Take a look at your policies to determine if adjustments are needed.
- **Save for emergencies.** And finally, would you be financially prepared if your business failed or you lost your job? The COVID-19 pandemic has reminded us the importance of establishing an emergency fund that can last for several months if you lost your salary or business revenue dramatically declines.

Acting on all these tips may seem a bit overwhelming. By focusing on a few now, before you know it, your financial wellness will improve over time.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

