



## Breaking Tax News

March 18, 2021

Getting you the answers to the many questions related to Covid-19 and its impact to you is our first priority. Things continue to evolve and change very rapidly, but please know that our team is working as quickly as possible to understand all that is taking place and going to the source for the answers. Our goal is to get you answers and information that is in **your** best interest and not get waylaid with distractions. Below are the most recent questions we have been fielding.

**Please Don't Delay:** Although the tax filing deadline is now extended to May 17<sup>th</sup>, please continue to send us your tax documents as soon as possible, as balancing all the various deadlines this year requires us to maintain a sense of urgency in order to provide you with the best possible service. The Internal Revenue Service officially announced that the filing due-date for individual returns (only) is now May 17, 2021 which is also the date that any 2020 tax is due.

**1<sup>st</sup> Quarter Estimated tax payments for 2021 are still due on April 15, 2021.** Consequently, for those who are self-employed and/or otherwise need to make quarterly estimates; for all intents and purposes, April 15<sup>th</sup> is still your due date as estimated payments are most often based on the prior year tax return; in this case, the 2020 Form 1040. We are hopeful the Internal Revenue Service will change their minds and extend the Estimated Tax due date to coincide with the new May 17<sup>th</sup>, 2021 deadline.

**Unemployment Exclusion:** This is a retroactive exclusion that applies to your 2020 return if you qualify. If you already filed and included unemployment benefits in your taxable income, an amended return may be required (when tax software catches up with this brand-new law **and** the Internal Revenue Service creates updated forms/instructions) but the IRS indicates you should wait at this point.

- To qualify, your 2020 Adjusted Gross Income must not exceed a \$150,000 "cliff". This is regardless of joint or single filing.
- The exclusion is \$10,200 per person; so married filing joint taxpayers can each exclude \$10,200 of unemployment benefits from taxable income. Unfortunately, the combined income on a joint return is still subject to the \$150,000 amount.

If you qualify for the exclusion but have not yet filed there will be some delay as the Internal Revenue Service writes new instructions and tax preparation software companies will need to update their programs.

**Stimulus Payments Occurring Now:** Taxpayers who qualify for the current round of Economic Impact Payments (EIP's) have started receiving payments already.

- Phase-out of eligibility begins at \$150,000 on a joint return and \$75,000 single.

- If you do not qualify based on your 2019 return but do qualify based on your 2020 return, the IRS will send your payment later in the year after your 2020 tax return has been processed.

**Employee Retention Credit (ERC) and PPP Forgiveness - A few reminders:**

- Optimizing the benefits of full forgiveness on the PPP loan and obtaining an ERC credit requires picking and choosing which payroll expenses are used for one versus the other.
- We will assist our clients with this time-consuming process after the federal tax filing deadline is passed in order to best manage the various approaching deadlines and dedicate the time needed to do it properly. Taking the ERC impacts your 2020 federal tax return (Schedule C and Form 1040 or 1120S/1065 and 1040). This means that your 2020 tax returns will require either an amendment or an extension. In either case, time is of the essence and we recommend finalizing your 2020 taxes as soon as possible.
- If you have not already done so, we recommend you **not** file for PPP Forgiveness as how you file can impact your ability to qualify for the ERC. *(If you have filed for forgiveness, we will review options with you in May as you still may be able to qualify for a reduced ERC).*

**Dental Group, LLC** - We continue to work both in the office and remotely. Our meetings will be done via teleconference and or online collaboration. If you plan to drop off documents, please call ahead to coordinate a time when we will be in the office as there is no safe place to leave documents at the door.

If you have any questions, please do not hesitate to contact us directly at (425) 216-1612.