

# WELCOME

Introduce MaryJane Hourani, PPP guru, & Carol Wright today

Feedback is expected in Q&A section,  
but may not be answered today.

Sorry, lunch is on your dime.



## INTRODUCTION OF PRESENTERS

WELCOME TO THE MSU UPDATE CLASS 2021

Lots of changes to the law since the book was written, including 5,593 pages of the Consolidation Reconciliation Act.

WELCOME to those of you who are new to this program

Glad to see some familiar names even from this year, welcome back.

We hope you enjoy some aspects of the web-based class. For instance, you can roll your eyes if you want to and some issues.

## TESTING AUDIO & VIDEO HOOKUPS

If you can hear me, please pay attention.

If you can see the slides, feel free to read them.

Those of you who can't do either, you are not really here.

Seriously, we have people to handle those issues and IT's phone number for MSU Zoom experts at 517-432-6200. Gwyn is our contact person and she is the expert. Bill is monitoring the Q&A section and we will have a chance to review them with you.

## MEASURING ATTENDANCE

4 questions will be asked during each 50 Minute period.

Please answer each one in the Q&A section so that we can give you credit for being present. No correct answers are required. Please mark them quickly.

No sign in is required as Zoom records you answer. Our standard is the one for enrolled agents. Therefore, each must be answered in a timely manner. So do not spend a ton of time.

The reason we ask 4 questions, is  $\frac{3}{4}$  still equals 75%. Our goal is 100% pass rate!

The questions are numbered so you will know what you have answered.

## SLIDES

The update class is all in the slides. They will be available as part of the update class.

This year, we are all putting our slides online, at [MSU.edu/incometaxschools/update class](http://MSU.edu/incometaxschools/update class)

If you already own the book, you can update errors at the web site listed on page iv in the front of the book, [www.taxworkbook.com](http://www.taxworkbook.com)

User name class2020, Password class2020

## AGENDA THIS MORNING 9:00 AM - NOON

Taxpayer Certainty & Disaster Tax Relief Act of 2020

PPP Loans MJ

Other issues:

Bonus Depreciation Rev. Proc 2020-50

RMD Life Expectancy 2022

State withholding for employees who do not work and live in the same state

SALT, state and local taxes paid by 1120S and 1065 filers

Closing Business

If time permits, UBER employees versus subcontractors

## REALITY CHECK QUESTION TO TEST THE SYSTEM

### POLLING QUESTION 1

We will read the question. If you know the answer, click on the correct one. If you don't know the answer, click on any answer to register that you are present.

We want to give you a chance to answer, but some people may be working together. we will close the polling when at least 95% of you have responded.

Good luck.

## **POLLING Q 1 CAROL AM**

WHAT DO YOU EXPECT TO LEARN FROM THIS CLASS?

A. NEW LAW & UPDATES FROM IRS

B. NOTHING NEW SINCE BOOK I GOT THE BOOK

## ZOOM CHANGES TO OUR PRESENTATIONS

4 Polling questions will pop up on your screen during the presentation

Please answer each one to document your attendance

Some of these details are also mentioned in the loop which runs before we start

MSU Technical backup for each session

Instructors will back up the presenter. Questions about the presented materials are encouraged in the Q&A section. We do not have time allocated to hypotheticals or specific client's concerns

## FILING SEASON STARTING

IRS is reprogramming the computers to accept 2019 earned income for Earned income credit and additional child credit. Law changes December 28

**IR-2021-16**

**Stimulus payments were first**

**Filing season begins Feb. 12<sup>th</sup>**

**First week in March anticipated refund for EIC returns and Additional Child Tax Credit** If they file electronically & have direct deposit for their refund

# CONSOLIDATED APPROPRIATIONS ACT OF 2021

DIV. EE TAXPAYER CERTAINTY & DISASTER  
RELIEF ACT OF 2020

CAROL GREGORY WRIGHT, CPA

14 (c) TABLE OF CONTENTS.—The table of contents of  
15 this division is as follows:

Sec. 1. Short title; table of contents.

See CCH handout last page  
Extenders

#### TITLE I—EXTENSION OF CERTAIN EXPIRING PROVISIONS

##### Subtitle A—Certain Provisions Made Permanent

- 2405 Sec. 101. Reduction in medical expense deduction floor.  
Sec. 102. Energy efficient commercial buildings deduction.  
2408 Sec. 103. Benefits provided to volunteer firefighters and emergency medical re-  
sponders.  
2408 Sec. 104. Transition from deduction for qualified tuition and related expenses  
to increased income limitation on lifetime learning credit.  
Sec. 105. Railroad track maintenance credit.  
Sec. 106. Certain provisions related to beer, wine, and distilled spirits.  
Sec. 107. Refunds in lieu of reduced rates for certain craft beverages produced  
outside the United States.  
Sec. 108. Reduced rates not allowed for smuggled or illegally produced beer,  
wine, and spirits.  
Sec. 109. Minimum processing requirements for reduced distilled spirits rates.  
Sec. 110. Modification of single taxpayer rules.

##### Subtitle B—Certain Provisions Extended Through 2025

## 2404

- 2434 Sec. 111. Look-thru rule for related controlled foreign corporations.
- 2434 Sec. 112. New markets tax credit.
- 2436 Sec. 113. Work opportunity credit.
- 2434 Sec. 114. Exclusion from gross income of discharge of qualified principal residence indebtedness.
- 2436 Sec. 115. 7-year recovery period for motorsports entertainment complexes.
- 2436 Sec. 116. Expensing rules for certain productions.
- 2436 Sec. 117. Oil spill liability trust fund rate.
- 2436 Sec. 118. Empowerment zone tax incentives.
- 2438 Sec. 119. Employer credit for paid family and medical leave.
- 2438 Sec. 120. Exclusion for certain employer payments of student loans.
- 2438 Sec. 121. Extension of carbon oxide sequestration credit.

### Subtitle C—Extension of Certain Other Provisions

- 2442 Sec. 131. Credit for electricity produced from certain renewable resources.
- 2442 Sec. 132. Extension and phaseout of energy credit.
- 2442 Sec. 133. Treatment of mortgage insurance premiums as qualified residence interest.



## TITLE II—OTHER PROVISIONS

Not on CCH Hoandout list

- 2456 See. 201. Minimum low-income housing tax credit rate.  
See. 202. Depreciation of certain residential rental property over 30-year period.  
See. 203. Waste energy recovery property eligible for energy credit.  
2456 See. 204. Extension of energy credit for offshore wind facilities.  
See. 205. Minimum rate of interest for certain determinations related to life insurance contracts.  
2460 See. 206. Clarifications and technical improvements to CARES Act employee retention credit.  
See. 207. Extension and modification of employee retention and rehiring tax credit.  
2477 See. 208. Minimum age for distributions during working retirement.  
2479 See. 209. Temporary rule preventing partial plan termination.  
See. 210. Temporary allowance of full deduction for business meals.  
See. 211. Temporary special rule for determination of earned income.  
2481 See. 212. Certain charitable contributions deductible by non-itemizers.  
2483 See. 213. Modification of limitations on charitable contributions.

2405

2484    *Sec.* 214. Temporary special rules for health and dependent care flexible spending arrangements.

TITLE III—DISASTER TAX RELIEF

2489    *Sec.* 301. Definitions.

2491    *Sec.* 302. Special disaster-related rules for use of retirement funds.

2502    *Sec.* 303. Employee retention credit for employers affected by qualified disasters.

2514    *Sec.* 304. Other disaster-related tax relief provisions.

2517    *Sec.* 305. Low-income housing tax credit.

*Sec.* 306. Treatment of certain possessions.



EIC & ACTC BRIEFLY IN CCH SUMMARY

## EIC INCOME & ADDITIONAL CHILD TAX CREDIT P. 3

### **NEW LAW**

#### TP Election for **2020**

Single or married individuals may elect to use the earned income from their 2019 return (s)

Not required but married people should include the earned income of both spouses

**Law reference pdf pg. 4946, Law 2479 and Sec. 211 Div. EE  
Taxpayer Certainty & Disaster Tax Relief Act of 2020**

## EARNED INCOME CREDIT & CHILD TAX CREDIT

Earned Income redefined for 2020

**EIC** based upon 2020 or 2019 at election of TP Sec. 32

**Additional Child Tax Credit** can use 2019 or 2020 at their election. Sec. 24(d)

## ADDITIONAL CHILD TAX CREDIT

Refundable credit, only definition of earned income changed for 2020

Income phaseout threshold with one child

MFJ \$440,000

Other filing status \$240,000

Qualifying child under age 17 and meets dependent tests

Support test - Child cannot furnish more than  $\frac{1}{2}$  support

See 2019 workbook for a discussion of additional CTC

## EARNED INCOME CREDIT & CHILD TAX CREDIT

### Polling Question Update 2

Taxpayer can elect to use earned income from 2019 to compute EIC for 2020 for both the husband and wife.

Yes

No

## EARNED INCOME CREDIT & CHILD TAX CREDIT

IR-2021-10 January 12, 2021

Instructions changed & available at [IRS.gov](https://www.irs.gov) for 1040 & 1040-SR  
Earned Income redefined for 2020

Date for filing these returns not announced,  
but on rest of web site is says March for EIC.

## RETIREMENT PLANS PENALTY RELIEF EXTENDED\*\*\*

P. 3 & 4

Sec. 72 penalty of 10% on early withdrawals  
waive for qualified corona virus

Money purchase plan also qualifies for the 3-year income inclusion  
Taxpayer Certainty & Disaster Relief changes the 1040 computation for 2021?

Form 8915-E

# FARMING LOSSES REVISED P. 3

CCH SUMMARY

## EMPLOYERS COVERING FUTURE RETIREES COSTS P. 3

CCH states “The act allows employers maintaining plans that made a qualified future transfer may elect to terminate the transfer effective for any year after the election is made. The election must be made no later than December 31, 2021.

## COVID ONLY EARLY DISTRIBUTIONS FORM 8915-E P. 4

Coronavirus-Related Distributions – No Penalty for early withdrawal

- CARES Act waives 10% penalty to maximum is \$100,000 for coronavirus-related withdrawals. January 1, 2020 to December 31, 2020 \*\*\*to 60 days after enactment\*\*\*
- TP, spouse, or dependent diagnosed with COVID-19
- Experiences adverse financial consequences (Cross-Reference Notice 2020-50 for others)
- Included income ratably over 3-tax years (unless elect out)

# COVID 19 – QUALIFIED 2020 DISASTER DISTRIBUTION FROM RETIREMENT

Form <b>8915-E</b> Department of the Treasury Internal Revenue Service	<b>Qualified 2020 Disaster Retirement                  Plan Distributions and Repayments</b> (Use for Coronavirus-Related Distributions) ▶ Go to <a href="http://www.irs.gov/Form8915E">www.irs.gov/Form8915E</a> for instructions and the latest information. ▶ Attach to 2020 Form 1040, 1040-SR, or 1040-NR.	OMB No. 1545-0074 <b>2020</b> Attachment Sequence No. <b>915</b>
Name. If married, file a separate form for each spouse required to file 2020 Form 8915-E. See instructions.		Your social security number
<b>Fill in Your Address Only                  if You Are Filing This                  Form by Itself and Not                  With Your Tax Return</b>	Home address (number and street, or P.O. box if mail is not delivered to your home)	
	City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).	
	Foreign country name      Foreign province/state/county      Foreign postal code	
Apt. no.		
If this is an amended return, check here <input type="checkbox"/>		
<b>Before you begin:</b> <ul style="list-style-type: none"> <li>• Complete 2020 Form 8915-D, Qualified 2019 Disaster Retirement Plan Distributions and Repayments, and 2020 Form 8915-C, Qualified 2018 Disaster Retirement Plan Distributions and Repayments, if applicable.</li> <li>• If you completed Part I of 2020 Form 8915-D, or of 2020 Form 8915-C, see the Caution in Column (a) in the instructions to figure the amounts for column (a).</li> </ul>		
<b>Part I Total Distributions From All Retirement Plans (Including IRAs).</b>		
Complete lines 1 through 4 of one column before going to the next column.		
 <b>CAUTION</b>	Form 8915-E only covers 2020 coronavirus-related distributions. The distribution must be made before December 31, 2020. See instructions.	
(a) <b>Total distributions                  in 2020</b> (see instructions)	(b) <b>Qualified                  2020 disaster                  distributions                  made in 2020</b>	(c) <b>Allocation of                  column (b)</b> (see instructions)

## FORM 8915 – E APPLIES FOR 2020

Part 1 is for 2020 withdrawals; Part III is for those from IRAs

No penalty for first \$100,000. Any excess follows regular rules.

Part II is for regular pension withdrawals. Include in income over 3 years unless elects out on this form.



17 If you elect NOT to spread the taxable amount over 3 years, check this box  and enter the amount from line 16 (see instructions). You must check this box if you checked the box on line 9. Otherwise, divide line 16 by 3.0 . . . . . 17

If taxpayer previously had prior year qualified disaster withdrawals, form 8915 A-D are required. Follow instructions for applicable old years. Generally Michigan taxpayers didn't have many federally declared disaster areas.

The example in the instructions is a family from Texas which had qualified disasters in the last 3 years.

## DISASTER RELIEF EXTENDED TO ALL DECLARED DISASTERS

Dates are Jan 1, 2020 until 60 days after enactment  
(I calculated Feb. 28, 2021)

Includes same provisions for federally declared disasters for individuals,  
except COVID ( covered separately)

Recontribution of withdrawn funds for home-purchases

Loan balance from pension funds increased to \$100,000

## NO SURPRISES ACT

P. 4

Treatment in a in-network facility will prohibit medical bills of a sizeable nature from an out-of-network health provider.

This was not the practice of the institution because it was not the impact of the Affordable Care Act

## CHARITABLE CONTRIBUTION EXTENSION 2020 AND 2021 P. 4

Amount increased to 60% of the contribution base in CARES. For individuals, it now is **100%** to support the pandemic for 2020 & 2021

Every tax return can claim \$300 above Adjusted Gross Income still subject to Sec. 170 rules. For 2021, \$300 per filers. Joint return can claim **\$600 for 2021.**

**Only applies to non-itemizers.**

Corporations under CARES increased from 10 to 25% for 2020. Carryforward five years of the excess over 25%

Food inventory increased from 10 to 25%

MEDICAL LIMITATION PERMANENTLY 7.5% P. 5



Education limits  
changed for 2021



Medical expenses  
in excess of 7.5%

## POLLING QUESTION 3 FROM UPDATE CLASS

The above the line charitable contribution went from \$300 per return in 2020 to \$600 on a joint return for 2021.

True

False

## RETIREMENT PLANS – WORKERS DRAW & WORK

Working after 70 can contribute to IRA

### WORKING RETIREMENT

Retired people can go back to work without jeopardizing their retirement, plans have additional requirements

“Specifically, the PPA established new IRC § 401(a)(36), which provides a pension plan does not fail to satisfy the tax-qualification rules solely because it permits distributions to employees who are at least 62 years old and still working. This provision is effective for plan years beginning after December 31, 2006.”

Consolidated Appropriation act Division EE Title II section 208 changed date to 59 ½

Exception building and construction industry age is lowered to 55 for multiple employer plans in existence before Jan 1970

## HIGHER EDUCATION EMERGENCY RELIEF NEW LAW EXTENDED

CARES Act allows higher ed institutions funds to support students with financial needs related to coronavirus pandemic

Student can receive qualified disaster relief payments - not taxable

No credits or deductions for the expenses paid with this money

NOTE: Emergency grants from Dept. of Ed not taxable, no deduction for expense covered





# 2021 Effective after 2020

CHANGES FOR NEXT YEAR & BEYOND



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# Teacher Expenses p. 3

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IRS directed to change Regs to include protective equipment & supplies for the above the line deduction

# Business Meals

p. 4

For 2021 & 2022, temporarily 100% of business meals including beverages provided at a restaurant are deductible



## SOCIAL SECURITY & MEDICARE

MAXIMUM earnings for Social Security **2021 \$142,800**

EARNING TO EARN A QUARTER OF COVERAGE **2021 \$1,470**



## EDUCATION CREDITS AND LOANS

# 2021 Effective dates Ed Benefits

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## Education- Related Tax Benefits

Coverdell, American Opportunity Credit, same rules

**Lifetime Learning Credit,**

**Student Loan Interest** (Excluded income from employer extended)

Deduction for educational expenses is gone. Law Sec. 104

Code Section 222, Lifelong learning credit

Increase income to start the phase out at **80,000 for single**

o

**160,000 for joint return**

## LIFETIME LEARNING CREDIT CONT.

Phaseout begins at \$59,000 (\$118,000 MFJ) 2020

**\*\*\*80,000 (160,000 MFJ) 2021\*\*\***

SAME RULES - Qualified expenses are tuition and related expenses

The expenses must be paid to the institution for enrollment

Only payments in the current year

Not eligible for any other exclusion or credit

Report on Form 8863

Subsequent refund must recapture credit just like AOTC

## STUDENT LOAN INTEREST DEDUCTION

### Eligibility

TP must be legally required to repay qualified loan

Loan must be for a degree program, ½ time enrollment

TP cannot be a dependent, not MFS, or nonresident alien

### Income limits

Phase out between \$70,000 and \$85,000 (\$140,000 to \$170,000 MFJ)

## NO DEDUCTION FOR TUITION & FEES

### Tuition and Fees Deduction

Deduction (adjustment to AGI) up to \$4,000 on **Form 8917**, Form 1040  
Schedule 1

Deduction expires 12/31/2020

## EMPLOYER PROVIDED EDUCATION BENEFITS

Employer's plan may exclude education benefits from employee's income

Limited to \$5,250 per year

Non-discrimination

Limits on owner & related parties

Undergraduate or graduate education

Sports and games if reasonable relationship to employer's business or required as part of the degree program

CARES expanded exclusion to student loan interest & principal paid by employer after March 27, 2020 before Jan.1 2021 **\*\*\*EXTENDED to 2025 \*\*\***

DISCHARGE OF MORTGAGE ON PRINCIPAL RESIDENCE P. 5  
DIV. EE SEC. 114 PG. 2435

Modified amounts **2,000,000** / 1,000,000 acquisition

**750,000** / 375,000

Until 2026

Also EXTENDED Sec. 133 pg. 2435

Deduct as interest

Mortgage Insurance Premium is qualified residence interest 12/31/2021

## POLLING QUESTION 5 FROM UPDATE CLASS

Deductible mortgage interest does not include the Mortgage Insurance Premium for 2021.

True

False

I.R.C. Section	Description	Expiration Date
1(j)	Modification of individual income tax rates	2025
11	21% corporate tax rate	None
24	Child tax credit: Increased credit amount, increased refundable amount, reduced earned income threshold, modification of identification requirements	2025
25A	American opportunity tax credit	None
25B	ABLE account contributions eligible for saver's credit	2025
25C	Credit for nonbusiness energy property	2020
25D	Credit for residential energy property	2021
30B	Alternative motor vehicle credit for qualified fuel cell motor vehicles	2020
30C	Alternative fuel vehicle refueling property credit	2020
30D	Qualified plug-in electric drive motor vehicle credit for two-wheeled vehicles	2020
32(b)(3)(A)	Earned income tax credit: 45% for 3 or more qualifying children	None
32(b)(3)(B)	Earned income credit increase beginning and ending income levels for joint returns by \$5,000 indexed after 2009	None
35(b)	Health coverage tax credit	2020
40(b)(6)	Second-generation biofuel producer credit	2020
40A(g)	Income tax credits for biodiesel fuel, biodiesel used to produce a qualified mixture, and small agri-biodiesel producers	2022
40A(g)	Income tax credits for renewable diesel fuel and renewable diesel used to produce a qualified mixture	2022
41	Tax credit for research and experimentation expenses	None
42(d)	Low-income housing credit treatment of military basic housing allowances	None

2021

2021  
for  
Sec.  
30



I.R.C. Section	Description	Expiration Date
45(d), 48(a)(5)	Beginning of construction date for wind renewable power facilities	2020
45(e)(10)	Credit for production of Indian coal	2020
45A	Indian employment tax credit	2020
45D	New markets tax credit	2020
45G(f)	Railroad track maintenance credit	2022
45L	Credit for constructing new energy-efficient homes	2020
45N	Mine rescue team training credit	2020
45S	Employer credit for paid family and medical leave	2020
48(a)(2)	Beginning of construction date for increased credit for business solar energy property	2021
48(a)(3)(A)	Geothermal heat pump, heat and power property, and small wind property credit	2021
48(a)(3)(A)	Credit for hybrid solar lighting system property	2021
48(c)(1)(D)	Credit for qualified fuel cell and stationary microturbine power plant property	2021
51	Work opportunity tax credit	2020
55	Increase in exemption amount and phaseout threshold of individual AMT	2025
55	Repeal of AMT for corporations	None
62(a)(2)(D)	Educator deduction (kindergarten–grade 12)	None
63	Increase in standard deduction for individuals	2025
67(g)	Suspension of miscellaneous itemized deduction	2025
68(f)	Suspension of limitation on itemized deductions	2025
108	COD income exclusion for discharge of principal residence debt	2020

108	COD income exclusion for discharge of principal residence debt	2020
108(f)(5)	Tax exemption for student loan discharges because of death or disability	2025
112	Treatment of certain individuals performing services in the Sinai Peninsula of Egypt	2025
132(f)(8)	Suspension of exclusion for reimbursement of bicycle commuting	2025
132(g)(2)	Suspension of exclusion for moving expense reimbursement	2025
151(d)(5)	Suspension of deduction for personal exemptions	2025
163(h)(3)(E)	Mortgage insurance premium deduction as qualified residence interest	2020
163(h)(3)(F)	Limitation on deduction for qualified residence interest; suspension of deduction for home equity interest	2025
163(j)(8)	Computation of adjusted taxable income without regard to any deduction allowable for depreciation, amortization, or depletion for purposes of the limitation on business interest	2021
164(b)	Deduction for state and local general sales taxes	None
164(b)(6)	Limitation on deduction for state, local, etc., taxes	2025
165(h)	Personal casualty losses limited to federally declared disaster areas	2025
165(d)	Modification of rules relating to computation of wagering losses	2025
168(e)(3)(A)	3-year depreciation for racehorses 2 years old or younger	2020
168(e)(3)(B) and 48	5-year cost recovery for certain energy property	2021
168(e)(3)(B)	5-year cost recovery for certain machinery and equipment used in farming	None
168(e)(3)(E)	15-year straight-line cost recovery for qualified improvements	None

I.R.C. Section	Description	Expiration Date
168(i)(15)(D)	7-year recovery period for motorsports entertainment complexes	2020
168(j)	Accelerated depreciation for Indian reservation property	2020
168(k), 460	Additional first-year depreciation (bonus depreciation) and expansion of definition of eligible property to include used property	2026/2027
168(k)(5)	Election of additional depreciation for certain plants bearing fruits and nuts	2026
168(l)	Special depreciation allowance for second-generation biofuel plant property	2020
170(b)(1)(G)	Increased percentage limitation on cash contributions to public charities	2025
170(e)	Enhanced charitable deduction for contributions of food inventory	None
172	Modification of NOL deduction	None
179	Increase in expensing limits to \$1,000,000/\$2,500,000 (indexed for inflation) and expansion of definition of eligible property to qualified real property; certain depreciable tangible personal property; and certain improvements to nonresidential real property	None
179D(h)	Energy-efficient commercial buildings deduction	2020
181	Special expensing rules for film and television productions	2020
199A	Qualified business income deduction	2025
213(f)	7.5%-of-adjusted-gross-income (AGI) floor for individuals age 65 and older for medical expenses	2020
215	Repeal of deduction for alimony payments (started in 2019)	None
217(k)	Suspension of deduction for moving expenses	2025
222(e)	Deduction for qualified tuition and related expenses	2020
263A, 5001, 5041, 5051,	Provisions modifying the rates of taxation of beer, wine, and distilled spirits; and certain other rules	



Section	Description	Date
1202	100% gain exclusion for qualified small business stock	None
1374	Reduced recognition period for S corporation built-in gains tax	None
1391, 1394, 1396, 1397A, 1397B	Empowerment zone tax incentives	2020
11400Z	Election to invest capital gains in an opportunity zone	2026
2010	Increase in estate and gift tax exemption	2025
4041, 4081	All but 4.3¢ per gallon of the taxes on highway gasoline, diesel fuel, kerosene, and alternative fuels	9/30/2022
4041	Reduced rate of tax on partially exempt methanol or ethanol fuel	9/30/2022
4043	Surtax on fuel used in aircraft in a fractional ownership program	9/30/2023
4051	Tax on retail sale of heavy highway vehicles	9/30/2022
4071	Tax on heavy truck tires	9/30/2022
4041, 4042, 4081	Leaking Underground Storage Tank Trust Fund financing rate	9/30/2022
4081, 4083	All but 4.3¢ per gallon of taxes on noncommercial aviation kerosene and noncommercial aviation gasoline	9/30/2023
4121	Black Lung Disability Trust Fund: Increase in amount of excise tax on coal	2020

2021

# CONSOLIDATED APPROPRIATIONS ACT

PPP, EIDL AND STIMULUS

MARYJANE HOURANI, EA, ETC.

QUESTIONS?

## OTHER CHANGES TO TAX LAW FOR 2020 & BEYOND



## COVID 19 IRS COLLECTION RELIEF INITIATIVES

- IR-2020-248 Short-term payment plan option extend to 180 days to resolve their tax liabilities instead of 120 days if qualified.
- Flexibility for those temporarily unable to meet the payment terms of an accepted Offer in Compromise.
- The IRS will automatically add certain new tax balances to existing Installment Agreements, for individual and out of business taxpayers. This taxpayer-friendly approach will occur instead of defaulting the agreement, which can complicate matters for those trying to pay their taxes.
- Qualified individual taxpayers who owe less than \$250,000 may set up Installment Agreements without providing a financial statement or substantiation if their monthly payment proposal is sufficient.
- If only owe for the 2019 tax year and < \$250,000 may qualify to set up an Installment Agreement without a notice of federal tax lien filed by the IRS.
- Additionally, qualified taxpayers with existing Direct Debit Installment Agreements may now be able to use the Online Payment Agreement system to propose lower monthly payment amounts and change their payment due dates.

## BONUS DEPRECIATION

Bonus Depreciation: T.D. 9874, I.R.C. §§ 168, 179

Final regulations explaining that the acquisition of used property is eligible for bonus depreciation if it meets certain requirements.

Reg. Sec. 1.168(k)-2 and Reg. Sec. 1.1502-68 Used by the taxpayer property – look through at transaction which has depreciation claimed directly or indirectly by the TP.

If not, used property qualifies for 100% rapid off.

**POLLING Q 6 CAROL AFTER PPP, OTHER**

CAN YOU LEARN WITHOUT COFFEE?

A. YES

B. NO

## GOING OUT OF BUSINESS CLIENTS

Fact Sheets at [irs.gov](https://www.irs.gov)

FS-2020-16 Sept. 2020 – Closing a sole proprietorship

FS-2020-15 Sept. 2020 - Closing a partnership

FS-2020-14 Sept. 2020- Closing a corporation

## SALT PAID BY PARTNERSHIPS & 1120S ENTITIES

State & local taxes are paid by the partnership and only flow to the owners as part of the net income of the operation. Since they are not separately stated, they are not limited on the schedule A of the owners.

Notice 2020-75 State & local income taxes imposed on and paid by a partnership or S corporation on its income are allowed as a deduction by the partnership or S corporation in computing its non-separately stated taxable income or loss for the taxable year of payment. New Jersey law applies at partnership level.

Property owned by partnership, not personal residence.

Not subject to Schedule A limits

## POLLING QUESTION 7 CGW AFTER PPP

State and local taxes paid by partnership on partner's home is deductible.

True

False

1099 –NEC  
DUE JAN 31

USE FOR NON-EMPLOYEE COMPENSATION  
NOT 1099 MISC

## REQUIRED MINIMUM DISTRIBUTION

RMD's: REG- 132210-18, I.R.C. § 401 ◦ Proposed regulation update the tables used to determine required minimum distribution amounts, Final regs have been issued.

Effective date 1/1/2022 because of all of the distribution issues with COVID -19

Plan administrators are required to inform the participants of the amount of RMD as of December 31, 2020 for 2021 distributions.

## IRA HOLDINGS – UNRELATED BUSINESS TAXABLE INCOME

**Master limited partnerships (MLPs) in an IRA.** Vanguard as custodian for IRAs held by Vanguard is responsible for IRS Form 990-T tax filings for MLPs. They will begin charging a \$300 fee per account for these filings. It will be deducted from a client's brokerage account when a filing is required.

## STATE TAX WITHHOLDING

If clients are working from home, but are assigned to an office in a different state, does each state want them to pay income tax to them? Massachusetts and New Hampshire are discussing that issue.

Do we have a problem? Michigan has agreements with border states, but some people have moved “home” to cut costs while being employed across the country. DO you know about taxes in Texas if temporarily living in Michigan.

Residence

Tax home

# DISASTER EXTENDED

QUALIFIED DISASTER RELIEF: I.R.C. §§ 38, 72T, 7508A ◦

TAXPAYER CERTAINTY & DISASTER RELIEF ACT OF 2020

MAJOR DISASTER DECLARED BETWEEN 1/1/18, AND 60 DAYS AFTER THE ENACTMENT OF THE ACT (DECEMBER 28, 2021)

PENALTY-FREE QUALIFIED DISASTER RELIEF DISTRIBUTIONS (UP TO \$100,000) FROM A RETIREMENT PLAN, AND IT ALLOWS THE TAXPAYER TO RE-CONTRIBUTE CERTAIN DISTRIBUTIONS. ◦ THE DISASTER ACT PROVIDES FOR PLAN LOANS. ◦

ACT PROVIDES AN AUTOMATIC 60-DAY EXTENSION OF FILING DEADLINES FOR CERTAIN TAXPAYERS AFFECTED BY FEDERALLY DECLARED DISASTERS.

Income from cancellation of debt p. 5

Taxpayer can exclude cancellation of debt income under Sec. 108 on their personal residence.

Taxpayer Certainty & Disaster Relief Act § 114, I.R.C. § 108

Modified amounts for 2021 quote 'Striking 2,000,000(1,000,000) and inserting 750,000 (375,000''

For years including 2021 to 2025

**POLLING Q 8 CAROL AFTER PPP, OTHER**

WHEN DOES THIS CLASS END?

- A. NOW
- B. NOON

## NOTICE 2021-7 EMPLOYER PROVIDED VEHICLE CENTS PER MILE

Employer Provided Vehicles: Notice 2021-7, I.R.C. § 61

- In response to the COVID-19 pandemic, the IRS is allowing employers to switch from the vehicle lease valuation method to the cents per mile method for determining the value of an employee's personal use of a business vehicle during the pandemic.
- s.
- The option to switch methods is effective beginning on March 13, 2020.
- The employer can chose to continue with the cents per mile or switch back to the lease valuation method in 2021.

TP HAD NOT FILED, BUT USED EIP TOOL TO CLAIM  
THEIR STIMULUS PAYMENT,  
IRS REJECTED 1040 FILED ELECTRONICALLY,

TP WILL FILE 2020 RETURN WITH **AMENDED EIP RETURN**  
ON TOP

ANY PAPER FILED RETURN AFTER BEING REJECTED BY IRS,  
SHOULD HAVE IN RED AN EXPLANATION ON TOP.

## **POLLING Q 9 CAROL AFTER PPP, OTHER**

SHALL WE GO ON?

A. YES

B. NO

## UBER DRIVER

Delivery drivers get a fee based upon the miles driven. They get some tips.

Company has issued 1099s based upon miles driven and said they will continue

California legislators passed a bill saying they are employees and entitle to sick pay and legal protection. This was also the finding of the CA appeals court.