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Last Minute
TAX TIPS
That Could Help You

Finish
STRONG in
a Tough Year

By Steven Bankler, CPA

Last-Minute Tax **Checklist** Before **the** New Year

It's time to make some last-minute tax moves. But this year is unlike any other. Before making assumptions or merely doing what you've always done, check with a tax advisor, particularly in the following areas:

PPP Loan Forgiveness

You may have heard that Paycheck Protection Program (PPP) loan forgiveness is already being administered, but you can wait until 2021 to apply. It might even be more tax-advantaged to do so (depending on your situation). And you may decide that full forgiveness isn't worth it. As of October, the IRS had ruled out the usual tax deductions for wages and rent that were paid with forgivable PPP loans to prevent a "double tax benefit."

So, while applying for PPP loan, forgiveness can wait until the New Year; accounting for the money and deciding how it will affect your usual business deductions can't. If you choose to ask for forgiveness, you must be able to prove that you maintained or quickly rehired employees and maintained salary levels. And you'll need to show that you spent the money wisely, including following strict rules on payroll and non-payroll spending. Keep meticulous records now and have a plan ready for full PPP forgiveness just in case.

Deferred Payroll Taxes

The federal government declared a payroll tax "holiday" for this fall. But is it too good to be true? It might be. The payroll tax deferral includes withholding, deposit, and payment of certain employee payroll taxes from September through December 2020. The deferral relates only to the employee's portion of Social Security payroll taxes (6.2%) for those who generally earn less than $104,000 annually.

However, questions remain on if and how the payroll taxes will need to be paid back (as in, deducted from paychecks) in 2021. If you took advantage of the payroll tax holiday, be sure to stay informed about any catch-up requirements that could kick in.

Expenses and Losses

The stops and starts of 2020 no doubt left you with expenses and losses. Everything from increased personal protective equipment (PPE) and supplies, education and training, new computers and paperless devices, and legal services are deductible expenses that can add up to significant tax savings.

When it comes to business losses, you may have experienced stalled timelines, economic uncertainty, and supply chain disruptions that cost you dearly. Thankfully, the federal CARES Act will allow you to offset 100% of the income you earned during 2018 and 2019 with those losses, so it would be wise to dig back into the records to determine your best strategy.

Charitable Donations

Business owners often have a choice on whether to deduct donations on personal or business tax returns. Does it matter? Yes, for even more reasons this year.

If you received PPP funds, charitable contributions could offset the potential shortfall a loss in tax deductions could cause. C Corp contributions—usually capped at 10% of taxable income—are deductible up to 25% through the end of the year, which is a bonus. And if you've reached retirement age, the required minimum distributions (RMD) that would kick in by 72 years of age have been temporarily suspended as well. So, weigh the pros and cons carefully and consult your tax advisor before deciding whether you or your business entity should take credit for end-of-year contributions.

Take a page from Santa and check your tax checklist twice before the holidays. There will doubtless be a few head-scratchers that will require new strategies to overcome this exceptional year.

Steven Bankler has more than 43 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, asset protection, and exit strategy services for closely-held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations, and estate planning.

*Visit **www.bankler.com** for additional tax strategy tips and to learn more about Steven Bankler, CPA, Ltd.*