

Building Savvy

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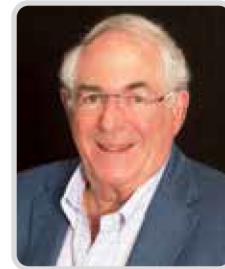
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San Antonio's Award Winning
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[savvy finance]

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By Steven Bankler, CPA

PPP Expenses and Other Last-Minute Tax Changes

The curtain may have closed on 2020, but the 2020 tax season is still in full swing. Chances are your tax obligations will be different this time around, thanks to the pandemic. From PPP and other relief loans to changes in deductions, be sure you're taking every opportunity you can to save on both your business and personal taxes.

PPP Expenses

If you took a PPP loan in 2020, here's a vital development from the most recent stimulus package: You can deduct business expenses paid with the funds 100%, even when the PPP loan has been forgiven (or you expect it to be forgiven). What's more, owners of pass-through entities can receive a basis step-up in their stock/partnership interest for any tax-exempt income from a forgiven PPP loan. .

New Forgivable Expenses

The package also expands four categories covered as part of approved expenses, including certain operational expenses, property damage, supplier costs, and personal protection equipment (PPE). But, just like before, PPP borrowers must spend at least 60% of the funds on payroll over a certain period of time.

Charitable Extras

If you were a generous giver in 2020, the federal government wants to reward you. C Corporations can apply an increased limit of 25% of taxable income for qualifying cash donations made in 2020 (the limit is usually 10%). Individual taxpayers who use the standard deduction can claim an "above-the-line" deduction of up to \$300 for cash contributions made to qualifying charities during 2020, too. Individuals who itemize may claim up to 100% of their adjusted gross income in 2020 (limits usually range from 20% to 60%). .

Transportation Fringe Benefits

One of the more confusing changes enacted with the 2017 tax overhaul was the disallowance of certain qualified transportation fringe (QTF) benefits employers have learned to know and love. Final rules were announced in December that answer many of the questions employers had. Those clarifications nail details down to exact parking spots and

mile-by-mile deductions in some cases, so if you deduct QTF benefits, take a good look before filing taxes. Changes include a further simplification of the rules regarding mixed parking expenses, deductibility in how employees travel between a residence and place of employment, and COVID-19 factors that affect peak demand during federally declared disasters..

Qualified Opportunity Funds (QOFs)

If you're invested in Opportunity Zones (economic development projects in distressed areas), take note: Qualified Opportunity Fund (QOF) owners are being asked to correctly self-certify on an annual basis. Failing to do so could result in audits for both the QOF owners and their investors. Be on the lookout for a Letter 6251, Reporting Qualified Opportunity Fund (QOF) Investments, for an indication your QOF investment needs review.

Like-Kind Exchanges

Final rules were released in November addressing the definition of real property under section 1031 and the receipt of personal property that is incidental to real property received in a like-kind exchange. According to the IRS, real property includes "land and generally anything permanently built on or attached to land." It can also include property that is characterized as real property under applicable state or local law.

Additional changes affect safe harbor 401(k) and 401(m) plans, 403(b) retirement plans and custodial accounts, and tax payment agreements. There's still time to strategize around many of these changes to reduce your 2020 tax obligations, but the clock is ticking.

Steven Bankler has more than 44 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection as well as 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.
