

Summary of key business tax provisions contained in the year-end coronavirus relief act

As the coronavirus (COVID-19) continues to affect local communities and global economies, our firm remains committed to serving your tax and financial planning needs. As part of this commitment, we want to make you aware of key tax provisions impacting businesses contained in the year-end coronavirus relief legislation, known as the Consolidated Appropriations Act, 2021 (H.R. 133), that was signed into law on Dec. 27, 2020.

Please contact our office to discuss your circumstances in more detail.

100% meals and entertainment deduction

The new tax law contains a tax-favorable change to the deduction for business meals. It temporarily allows a 100% business expense deduction for meals (rather than the prior 50%) if the expense is for food or beverages provided by a restaurant. This provision is effective for expenses incurred after Dec. 31, 2020 and expires at the end of 2022.

Deductibility of PPP-funded expenses

Many small businesses needed the support of the Small Business Administration's Paycheck Protection Program (PPP). This program provided much-needed funds to help certain businesses, self-employed workers and certain nonprofit organizations continue paying their workers.

The recent tax law clarifies that any amount received from a PPP loan that is forgiven is not considered income for tax purposes. Deductions are also allowed for otherwise deductible expenses paid with the proceeds of a forgiven PPP loan. The new law opens the program again and allows certain businesses to receive a second draw of funds.

Please contact our office if you have questions about the PPP or how funds may be treated for tax purposes.

Payroll tax credits

The law extends the refundable payroll tax credits for paid sick and family leave, enacted in the prior tax legislation, through the end of March 2021. It also modifies the payroll tax credits so that they apply as if the corresponding employer mandates were extended through March 31, 2021. The new law also allows individuals to elect to use their average daily self-employment income from 2019 rather than 2020 to compute the credit.

Employee retention tax credit modifications

The new law extends the employee retention tax credit (ERTC) through June 30, 2021. It also expands the ERTC and contains technical corrections. A noteworthy modification provides that employers who receive PPP funds may still qualify for the ERTC with respect to wages that are not paid with forgiven PPP proceeds.

Deferral of employees' portion of payroll tax

The legislation extends the repayment period through Dec. 31, 2021 on employees' share of certain payroll taxes deferred from Sept. 1, 2020 through Dec. 31, 2020.

Other tax provisions

There are many other tax changes contained in the year-end legislation that could also apply to you. Please contact our office if you'd like to discuss your situation further.

Our commitment to you

Whether you have tax or financial planning questions or need advice on ways to navigate the new tax laws, we're here for you. If you have any questions or concerns, please don't hesitate to contact us at 970-247-0506.

During this unpredictable and challenging time, it's more important than ever to stay connected. We're in this together and our thoughts go out to all who have been impacted by this unprecedented situation. Rest assured, we're here to help with your questions.

Sincerely,
FredrickZink & Associates, CPAs