



LIVE WEBINAR
Q&A REGARDING RECENT BUSINESS TAX CHANGES
November 5, 2020



WELCOME!



Thank you for taking the time to join us today!

Smith Schafer & Associates is an award-winning CPA firm in Minnesota. We are mostly known for helping businesses grow with accounting, tax and consulting solutions. We provide proactive solutions, deep expertise, and personal relationships, allowing our clients more time to work on growing their business.

We are local to Minnesota with offices in:

- Minneapolis
- Rochester
- Red Wing

PRESENTER – KYLE SPICER, CPA



- ***SENIOR MANAGER***
- ***Expertise***
 - Business tax preparation & planning
 - Business management
- ***Background***
 - Bachelor of Accounting and Business Administration from University of Minnesota, Duluth
 - Joined the Twin Cities practice in 2012.
- ***How do I spend my time elsewhere?***
 - I enjoy spending time with family and friends, golfing, playing hockey, snowboarding, and spending time at the lake.

TODAY'S AGENDA

1. Highlights of Tax Bills Recently Enacted
2. Minnesota's Tax Law (Non) Conformity
3. Payroll Protection Loan Update
4. Presidential Tax Plans
5. Q & A

TAX BILLS

Six federal tax bills have passed since December of 2019:

1. Taxpayer Certainty and Disaster Relief Act (TCDTR) – 12/20/19
2. Setting Every Community Up for Retirement Enhancement Act (SECURE) – 12/20/19
3. Families First Coronavirus Response Act (FFCRA) – 3/18/20
4. Coronavirus Aid, Relief, and Economic Security Act (CARES) – 3/27/20
- 5 & 6. Two Paycheck Protection Loan modification bills (PPP) 6/5/20 and 7/4/20

HIGHLIGHTS OF TAXPAYER CERTAINTY AND DISASTER RELIEF ACT

TCDTR - “Extenders Bill”

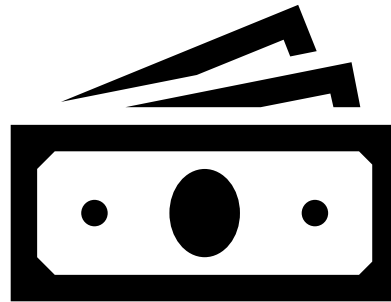
- Energy efficient home credits
- Energy efficient improvements to commercial property
- Workers opportunity tax credit
- Individual tax breaks



HIGHLIGHTS OF SECURE ACT

SECURE Act

- Raised Required Minimum Distribution age to 72 starting in 2020
- Repealed the maximum age to contribute to an IRA
- Partially eliminated stretch IRA
- Tax Credits for small employers to set up retirement plans



HIGHLIGHTS OF FFCRA

Emergency Paid Sick Leave

- If you have less than 500 employees
- For full-time employees, required to grant 80 hours of paid sick leave at regular rate due to COVID-19
- Capped at \$511/day or \$5,110 per employee



HIGHLIGHTS OF FFCRA

Emergency Paid Sick Leave

- The benefit allows employers to claim a refundable tax credit for wages paid
- This credit is claimed on your quarterly payroll tax filing, form 941
- This expires December 31, 2020

EMPLOYEE RETENTION CREDIT

Refundable credit up to 50% of qualified wages for businesses that had a decline in gross receipts by greater than 50% from the same quarter in calendar year 2019.

Expires December 31, 2020

PAYROLL TAX DEFERRAL

- Can defer **employer** portion of social security
- Payment is deferred 50% until December 2021 and 50% December 2022
- *Expires December 31,2020*



PAYROLL TAX DEFERRAL

- Defer withholding of **employee** portion of social security
- Employees with wages of less than \$4,000 in payroll on a biweekly basis
- Payment is deferred and paid ratably from January 2021 – April 2021

Expires December 31, 2020

HIGHLIGHTS OF CARES ACT

Business Losses – Net Operating Losses

- Amends to allow carryback of losses from 2018 through 2020 to each of the five years preceding
- Removes the 80% taxable income limitation

Increase of the business interest limitation to 50% of Adjusted Taxable Income (ATI) for 2019 & 2020

- May elect to use 2019 ATI instead of 2020

HIGHLIGHTS OF CARES ACT



- Removes the excess business loss limitation through 2020
- Retroactively, starting in 2018, allows 15-year depreciation on qualified improvement property

HIGHLIGHTS OF CARES ACT

- Charitable contribution income limitation has been removed for individuals and can deduct up to 100% of Adjusted Gross Income
- Allows coronavirus related distribution of up to \$100,000 by December 31, 2020 from a retirement account and can spread over 3 years of taxable income
 - Can decide to pay it back within 3 years
 - MN taxable all in one year

MINNESOTA

- July 1, 2020 MN DOR revised 2019 tax forms
- Major nonconformity items:
 - Net Operating Losses cannot be carried back
 - Interest expense limitation
 - Excess business losses
 - Qualified Improvement Property – 39 year



MINNESOTA BONDING BILL

October 21, 2020

- Section 179 conformity
 - Up to \$1,040,000 million deduction for 2020
 - No add back for Minnesota
 - Prior subtraction continues over 5-year period

PAYROLL PROTECTION LOANS & FORGIVENESS



Banks are starting to accept applications



SBA started accepting in August with first forgiveness in October



A new easy application was released October 8 for loans under \$50,000



You have 10 months from the end of the covered period to apply or before payments start

PAYROLL PROTECTION LOANS & FORGIVENESS

Expenses associated with
tax free forgiveness are
nondeductible per IRS
Notice 2020-32

TAX IMPLICATIONS FOLLOWING THE ELECTION

Trump Plan

- Make current tax rates permanent
- Cut capital gain rates to 15%
- Extend many other current provisions past 2025

TAX IMPLICATIONS FOLLOWING THE ELECTION

Biden Plan

- Increase top rate to 39.6%, taxpayers making more than \$400,000 would see tax increases
- Increase top capital gain rate to be taxed at 39.6%
- Expand dependent care credit to \$8,000 or \$16,000 for two or more children
- Increase child tax credit to \$3,000 and \$3,600 for under age 6

TAX IMPLICATIONS FOLLOWING THE ELECTION

Biden Plan

- Cap itemize deductions at 28% of Adjusted Gross Income, phaseouts for incomes higher than \$400,000, Remove state tax \$10,000 limitation
- Estate Taxes
- Corporate tax rate of 28% with 15% minimum tax on book income for companies greater than \$100 million

BUSINESS PLANNING

Forecast,
Budget, & Tax
Planning

IRA Distributions

Net Operating
Losses

Fixed Asset
Additions &
Accelerated
Depreciation

PPP Taxability

Taxes in 2021
and beyond

Q & A



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