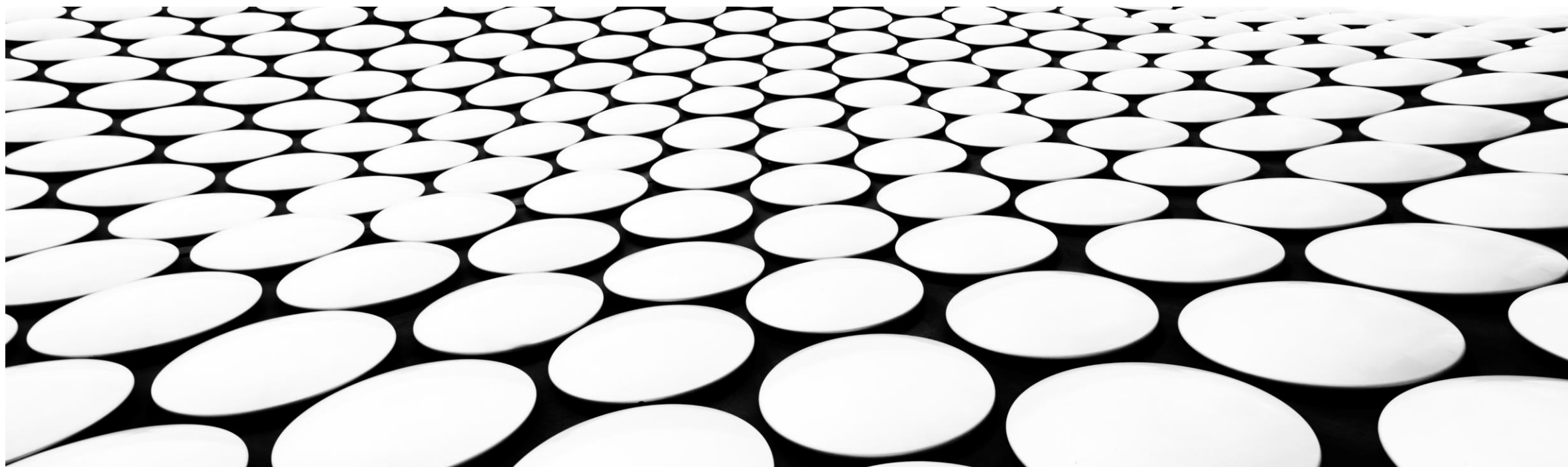

HOW WILL COVID-19 FUNDING AFFECT YOUR TAXES? AND OTHER ECONOMIC STIMULUS ISSUES

- KATIE GLORVIGEN TIERNEY, MBT, CPA



GLORVIGEN, TIERNEY & COMPANY ~ KATIE GLORVIGEN TIERNEY, MBT, CPA

- We are a local accounting firm and we provide tax, accounting, payroll, QuickBooks, and CFO services, in addition to audits and financial planning.
- Our current team consists of 20 highly engaged individuals who love helping individuals and business find peace of mind when it comes to all-things taxes and business.

PPP: IS IT TAXABLE?

HOW ABOUT EIDL ADVANCE (GRANT), IS THAT TAXABLE?

- No
- And Yes
- At least for now

ARE LOCAL, CITY AND COUNTY GRANTS TAXABLE?

- Yes

PPP FORGIVENESS

- When do I need to apply for forgiveness?
- Is it complicated?
- Where do I file the forgiveness application?
- What do I need to “prove” that I used all the funds appropriately?
 - 60% on payroll, the rest on mortgage interest, rent, and utilities used within 8 or 24 weeks
- What happens if less than 100% of my loan was forgiven? Is the unforgiven part taxable?

PPP ROUND 2

- I've heard there's another round of PPP, tell me more!
- Open until March 31, 2021 or until funds run out.
- Who qualifies?
 - Lost revenue test: Decrease in Gross Revenue (before COGS) of 25%+ in one quarter of 2020 compared to the same quarter in 2019.
 - Must have received and used all the PPP-1 funds.
- Does it matter if the % is exactly 25%? Will that raise any red flags or be scrutinized more heavily?
- My business is in the Accommodation and Food Service industry (NAICS Code 72), does that matter? YES!
- Do I need to apply for forgiveness for Round-1 before applying for Round-2?
- What if I didn't apply for Round-1, am I out?
- Where should I apply for Round-1 or Round-2?

HOW IS PPP ROUND-1 AND ROUND-2 CALCULATED?

- 2.5 x Monthly Average Eligible Payroll Costs, seems easy right? Sort of.
- What is considered Eligible Payroll?
 - Wages + (Employer) Retirement Contributions + Qualified Health Plan Expense + State UI = Total Cost
 - Divide by 12 (to get a monthly average)
 - Multiply by 2.5
 - Multiply by 3.5 if you're applying for Round-2 and in the Accommodation and Food Service Industry
- I'm a sole-proprietor, what do I use for wages?
 - Your 2019 or 2020 Net Schedule C Income
- I'm in a partnership, we have wages but not for the partners, what can we use?
 - Use your actual wages + Box 14 on the K-1 from your partnership.



ECONOMIC IMPACT PAYMENTS, AKA STIMULUS MONEY

- Taxable or Not?
- Will I have to pay it back if I received too much?
- Can I receive more on my 2020 return?
- I claim my child every other year and claimed in 2019 and received the stimulus money, what happens now? Will the other parent get to claim the stimulus in 2020?
- I am soon to be divorced, we didn't qualify for the stimulus under our 2019 return, can I claim the stimulus refund for 2020 under married-filing separate?

SBA DEBT RELIEF: 7(A), 504, AND MICROLOANS

- The SBA paid my loan payments for 6 months! Now what?
- Is this taxable?
- Can I still deduct the interest that was paid?
- I received a 1099-MISC from my lender stating this was taxable, what now?

MY BUSINESS RECEIVED SICK AND FAMILY LEAVE PAYROLL CREDITS, NOW WHAT?

- Are these taxable?
- How will they show up on my tax return?
- I didn't know about these credits during the year, and we paid people while they were out sick to help them out, now what?

SELF-EMPLOYED SICK AND FAMILY LEAVE

- Sick Leave qualifications:
 - An SE individual is unable to work or telework because the individual:
 1. Is subject to Federal/State/Local quarantine or isolation related to COVID-19
 2. Has been advised by a health care provider to self-quarantine due to COVID-19 or
 3. Is experiencing symptoms of COVID-19 and seeking a medical diagnosis
 - How is this calculated?
 - Sick leave: up to 10 days of average daily SE Income: $2019 \text{ Sch. C Net Income} / 260 = \text{Daily Average}$, capped at \$511/day x # of days Sick = Sick leave credit
- What about Family Leave?
 - An SE individual is unable to work because:
 - They need to care for an individual who is subject to #1, 2 or 3 above;
 - Is caring for a child if the child's school or place of care has been closed or the provider is unavailable due to COVID-19 precautions
 - How is Family Leave calculated?
 - Family leave: up to 50 days, using the daily SE average: $2019 \text{ Sch. C Net Income} / 260 = \text{Daily Average} \times 67\%$ (capped at \$200/day) x # of Days = Family Leave Credit
- Where do I report these? Form 7202.



RED FLAGS AND AUDITS

- I don't want to be audited (who does?!) – what can I do to lower my risk?
- What if I do get audited, what should I do?
- What documentation will I need if I get audited?



OTHER 2020 AND 2021 NOTABLES

- Charitable deduction of up to \$300 allowed when using the Standard Deduction (but not for MN)
- 2021 and 2022: support your local restaurants >> 100% deduction for Meals (food + beverages) incurred for business purpose.
- Employee Retention Credit: talk to your CPA about this if you have employees and experienced a mandated shut-down or decrease of 50% of revenue in a quarter for 2020 compared to 2019 OR 20% decrease in revenue in a quarter of 2021 compared to 2019.
- Expect more changes and be patient with your tax professional.
- The sooner people file, the more likely there will be changes on the return.