



Smart Ideas for Brilliant Clients

February 5, 2021

ANNUAL TAX PREP LETTER FOR YOUR 2020 INDIVIDUAL TAXES

NOTE: Please see attachments for lists of specific Info and Docs needed...and some important tax strategies and updates.

Dear Client,

"We wish all of you a happy, healthy and prosperous 2020!"

That is what we said last year, but in many ways, that did not really work out so well. We extend our heartfelt condolences and support to those who lost loved ones and went through the stress of the disease or the related physical, emotional, or financial hardships, respectively.

This coming year, 2021, offers a complicated mixture of dread and hope; fear and Love; exhaustion and opportunity. We sincerely wish you the second part of each of these of these combinations: hope, Love and opportunity.

As we commence this year, we continue to commit ourselves to providing you with the full range of tax, accounting, financial management, planning and consulting services you require and the quality you deserve. Our primary goal and focus remain your financial success and especially for this year and moving forward, your peace of mind.

We invite you to visit our Braverman CPA PC website for our newsletters and other info.

<http://bravermancompany.com/>

Our 2020 Tax Prep Policies & Procedures:

Last year turned out to be unique and somewhat chaotic, in that the deadline was immediately moved back and then nobody paid attention to their taxes for several months due to the pandemic. We are hopeful that with new leadership and people abiding by the rules set up to **prevent the virus from growing even more deadly before the vaccine is fully distributed for herd immunity**, this year will improve in many ways. Please note the following steps, designed to help navigate a peaceful and efficient tax season experience:

1. Please reach out if you would like to receive our tax organizer. The Organizer lists your prior year revenue & expenses by category. This function is available to all clients who filed with us last year.
2. Forward us your 2020 tax information by postal mail, our Secure Client Portal (see below), password protected email or by fax, along with our required \$300.00 deposit [not applicable for Corporate or Business Management Clients]. At this time either include your deposit or call with your cc info.
3. Please feel free to call our office to schedule your tax appointment (if you would like a meeting) most meetings will be through TEAMS or ZOOM, but some can be in-person, depending on how things are progressing in NYC.
4. Once we receive your information (& deposit, thank you), we will review it & contact you within (2) weeks if we need any additional info or docs. Please respond & send back asap because your return will be pending until all info is received.
5. If we have not received all info prior to April 1st, there is a good chance you will be going on extension. The extension is to file your returns later; not to pay your taxes later. Therefore, we must have some time to calculate your tax liabilities; (if any). Any state liabilities must be paid by the 4/15 deadline, if possible, to avoid substantial penalties. For the Feds, the late payment penalties are much lower, but we should have an idea of what will be owed, (if anything).
6. For those who will not be getting your information in on time or for those who prefer to go on extension, we will have 45 minute extension meetings setup for April 6-11th.
7. In order to accommodate you once your tax return is complete & ready for your final review, please forward your remaining balance so that we can sign as your paid preparer.
8. Please feel free to contact us at any time with any questions, comments or for help navigating through this process.

In order to provide you with the most secure and efficient service, we have partnered with CPA Site Solutions; a secure file sharing solution to provide a secure online client portal. The technology will allow you and us to easily store, view, and share files securely with you using a secure Web-based client portal—offering you anytime, anywhere access to your documents.

If you have not already registered to use our portal, you can do so either by going to our website, selecting the link for Client Portal and then completing the registration process. Alternatively, you can contact our Firm Administrator, Marc, via email at: maltman@bravermancompany.com to have your account initiated.

This year, for all clients arranging meetings, we request that you send all of your documents at least two to three days prior to your meeting via email, postal mail, or fax. We will then be fully prepared to assist you at the time of your scheduled tax meeting.

Fees, Deposits and payments:

Your tax return preparation fees are calculated based on time spent plus computer and admin/handling charges. The higher the level of complexity, the more time it might take; however, the more organized you are and the lower amount of requests and reviews of missing info required will have a positive effect on your fee.

The following are our minimum tax preparation fees:

	Personalized Meeting <i>Minimum Fee</i>	Organizer or Info Drop-Off <i>Minimum Fee</i>
Alan Braverman	\$690	\$600
Other Principals/Managers	\$590	\$500
Senior Staff	\$500	\$450
General Staff drop-off minimum [may be any staff member]		\$400

These are minimum fees only and do not include computer charges which range from \$40 for Federal only [for States with no income tax] plus \$20 – \$35 per state. **These have been our minimums and Computer charges since 2013. Our actual charges should be similar to last year's, or perhaps up to 10% more for the same basic returns.** Our "average" return with a Schedule C, well organized, plus 1-3 investment accounts without too many K-1's plus a condo owned and perhaps a rental unit would be about \$1200 - \$1400 for tax preparation as long as your numbers are organized. Some much more complicated returns could cost as much as \$5,000.00 - \$10,000.00, or even more.

Our HOURLY Rates

For Senior Principal (Alan Braverman)	\$300 per hr.
For Principals and Managers	\$200 per hr.
For Senior Staff Accountants	\$130-180 per hr.
For Staff Accountants	\$75-120 per hr.
For Bookkeepers/Admin Staff	\$50-70 per hr.

Our rates by category have not gone up in over 5 years.

If you have a current outstanding balance with us, please arrange for full payment immediately. Please reach out asap to set-up a payment arrangement. We will be unable to start any new tax work with unpaid balances. In certain circumstances we may consider an accelerated payment plan.

A deposit of \$300.00 is required prior to commencement of work (either at the initial meeting or dropped off or called in with your materials, if no other arrangements have been made).

All outstanding balances are due upon the completion of the returns. **No completed tax returns will be e-filed, mailed to tax authorities, or delivered to clients without payment in full of final balances and signed e-file authorization.** We need to represent ourselves as "Paid Preparers" in order to better facilitate this and for your convenience, we accept payment by credit card [Visa, MasterCard, Discover or American Express].

Finally, after seeing all these references to charges and payments, I hope you do not feel like we only see you as units of commerce. That is certainly not my intention nor how we see you. I have stressed our payment procedures to help ensure that we are paid enough to run our business and to devote enough time to make sure that your returns are prepared properly, with enough time to assess any possible alternative treatments and strategies that may still be available for the current filing, or to suggest same for the upcoming year. It is our great honor to serve and help guide you. With few exceptions, and despite my hobby of complaining every once and a while, serving our clients over the past 41 years [yes, I started in vitro] has been one of the great thrills of my life. Working with our teams has been a great ride as well.

Thank you so much for your cooperation. We are very appreciative of your business and our ongoing relationships!

Alan Braverman CPA

BRAVERMAN CPA PC

Please see attached lists of specific information and documents needed for your reading pleasure.

If you should have questions or concerns please feel free to reach out to our office.

****** If you are on this mailing list and wish to be removed, please reply to this e-mail and your email address will be removed. Thank you._____**

PRIVILEGED AND CONFIDENTIAL

This communication and any accompanying documents are confidential and privileged. They are intended for the sole use of the addressee. If you receive this transmission in error, you are advised that any disclosure, copying, distribution, or the taking of any action in reliance upon this communication is strictly prohibited. Moreover, any such disclosure shall not compromise or waive the attorney-client, accountant-client, or other privileges as to this communication or otherwise. If you have received this communication in error, please contact me at the above email address. Thank you.

520 Eighth Avenue, Suite 2001, New York, NY 10018 Ph: 212.989.0009 Fax: 212.989.6977

Email: info@bravermancompany.com

OUTLINE OF INFORMATION AND DOCUMENTS NEEDED FOR PREPARATION OF YOUR 2020 INDIVIDUAL TAX RETURNS

The following is a list of necessary items and documents needed (if available) to prepare your 2020 returns with or without the organizer:

1. **Estimated Tax Payments-** Dates, check numbers and amounts [if possible, copies] of all estimated tax or extension payments paid in 2020 or paid in 2021 for 2020. Any other tax payments paid in 2020 should also be included with the applicable year payment to which payment was to be applied.
2. **Original W2's-** Check these and all other documents for errors as soon as you receive them. Make sure you bring in **all pages**, especially for multi-state **W-2's**.
3. **Social Security Numbers-** of all dependents added in 2020. In addition, please make sure that we are correctly reporting the first, middle initial and last names of you and your dependents as they are shown on the social security cards. The IRS may assess penalties for missing or incorrect numbers and will disallow exemption deductions and e-filing privileges for any name they cannot confirm...**and always let us know when anything changes, such as your address, the addition of a child, change of marital status or if previous dependents are no longer your dependent. You should let us know anyway, but we especially need to know when we are preparing your returns!** [Note: for long, or multiple middle names, the IRS considers all names on second line as last name(s).
4. *******UNEXPIRED NYS Driver's License Number or NYS Equivalent-** New York State requires Driver's License numbers and additional information on the driver's license in order to e-file tax returns. This is an additional security measure to ensure the return being filed is truly your own. The information is electronically transmitted to NYS but does not appear on the tax form.
5. **All 1099 year-end reporting statements** – for pension, IRA withdrawals and 529 (1099-Q), interest, dividends, mutual fund dividends, mutual fund sales, stock sales, real estate sales, any other type of earned income, plus any year-end statements for tax-exempt income.
6. **Social Security income-** statement of benefits [form SSA-1099].
7. **All 1098 statements** – for interest paid on mortgages, home equity loans, co-op maintenance, student loan interest, or college tuition (1098-T).
8. **Real Estate taxes:** paid in 2020 (*if not paid through mortgage-get copies of receipts and/or cancelled checks*). If you own a co-op, please provide us with the annual letter that states the real estate tax deduction per share **along with** the 1098.
9. **Charitable contributions-** made in 2020, including cash, checks, clothing, household articles and other non-cash items. **Please include any and all receipts for non-cash contributions even if they don't have a dollar amount on the receipt.** Also, FYI: IRS regulations require charitable organizations to provide a written acknowledgment for individual donations of \$250 or more. A canceled check is no longer sufficient in case of an audit. Also, for non-cash contributions, the receipt has to indicate "good" condition or better. If you have donated an item, or group of similar items, whose value exceeds

\$5,000, an appraisal of the item or group signed by a licensed appraiser is required in order to deduct the value in full.

- 10. Copies of closing documents:** [settlement statements] and any other documents related to **the purchase, sale, or refinance of real estate during 2020**. Please note: you are required to have records of all improvements you make to your home. The improvements are added to the amount you paid when you purchased your home to arrive at the home's cost or "basis". This is an area that is rarely examined, but it does happen. **Please keep all records of improvements you make to your home for as long as you own it. For missing records, the IRS is allowed to accept other estimates, such as correspondence with contractors and or photos with descriptions and estimates; however, save all improvement receipts for all renovations and substantial improvements, if at all possible...they do not have to accept estimates.**

- 11. IRA'S, SEP's, and other pension payments:** Please let us know if you have made any payments or would like to make any pension payments for 2020 ASAP – This way we can determine if your payments were made properly and /or let you know if you can still make any payments or if you need to make any distributions before the deadline.
Please note that you must make your **IRA contributions by April 15th**. For self-employed individuals, your **S.E.P. or your "Uni-K " or Solo 401(k)" contributions are due by the date your return is filed (but no later than your valid extension date). Uni-K or Solo 401(k) plans must have been set up before 12/31/20** but can be funded as described above. SEP plans can be set up as well as funded by due date, including extensions. **Let's talk about possibly setting up a UNI-K or Defined Benefit plan for 2021, if applicable and beneficial.**

- 12. ROTH IRA'S** – If you have made or will be making contributions to a Roth IRA for 2020 please inform us of that fact. If you have converted an existing IRA to a Roth IRA during 2020, this will be reported to you via 1099 for inclusion as taxable income on your 2020 tax return.

- 13. If you have made or will be making nondeductible contributions to your traditional IRA** for 2020, you need to report this to us. **SPECIAL NOTE:** some clients may have been making nondeductible IRA contributions over the past years without informing us. Please bring in all documentation available for any nondeductible IRA's. We will need to file Form 8606 for every year that nondeductible contributions were made. For those clients affected by this, you should know that **failure to file 8606's will result in all future distributions being deemed taxable.**

BUT WHILE WE'RE ON THE SUBJECT, YOU SHOULD REALLY CONSIDER SETTING UP AN APPOINTMENT TO COORDINATE AND REVIEW YOUR INVESTMENTS INCLUDING YOUR RETIREMENT ACCOUNTS; EITHER AS A GENERAL REVIEW OR WITH US AND YOUR EXISTING INVESTMENT ADVISOR, OR AS A MORE COMPLETE ANALYSIS WITH ONE OF THE INVESTMENT ADVISORS WITH WHOM WE WORK. OUR NETWORK OF FINANCIAL PROFESSIONALS WILL BE AVAILABLE TO HELP SET UP AND ROLL OVER SEPS AND IRAS AT ANY TIME AND ASSIST YOU WITH INVESTMENT, SAVINGS, RETIREMENT AND/OR ESTATE PLANNING.

- 14. Your medical expenses:** should be summarized to include medical and dental health insurance premiums [list separately if you are self-employed], doctor and dentist fees, prescription drugs, medical travel, eyeglasses, psychotherapy, and any other medical expenses incurred. Your net medical expenses will be limited by a percentage of your adjusted gross income. Medical insurance may be fully deductible, even if you are not itemizing, if you are self-employed and have a profit. Because the limitation to the deduction varies between federal and state, it may be to your advantage to provide your schedule even if you're not sure if you'll get the deduction...especially for residents of N.J., where the deductible is only 2%. See below for **Long Term Care Premiums:**
- 15. Long-Term Care Premiums:** If you are paying premiums for a long-term care policy, this is a medical expense. But if you are a NYS resident and you are not itemizing your medical expenses, **you are still entitled to a NYS tax credit for a portion up to 20% of the premiums.** Any unused portion carries over to the following year. Please give us the total premiums paid in 2020 for you and your spouse (if you are married and you both have coverage). These premiums may also be deductible against your Adjusted Gross Income if you are self employed just like medical insurance, but with certain restrictions.
- 16. Auto: See business outline.**
- 17. If you sold any stocks, bonds or mutual funds in 2020,** we need the selling price and the date sold. In addition, we need the **original cost and date purchased.** Many 1099 statements provide the cost basis information for all sales, but some do not, so you may have to bring or send your “annual summary” or ask your broker for the **schedule of realized gains & losses** or check your records for the costs. [Please include a copy of Form 1099-B issued by your broker detailing your stock sold.].
- 18. THIS DEDUCTION IS FOR STATE FILING PURPOSES ONLY: Employee business, job seeking, investment and/or miscellaneous expenses** may be deductible based on your income. Include a summary with your tax information.
- 19.** If you are self-employed or work “Freelance” please see our enclosed business outline. Business Travel - **This is for Freelance or Self-Employed, Corp or Employees:** If you traveled for work, even if reimbursed through payroll, give us a list of days out and where [which cities] you worked. You may be able to get Per Diem treatment which is based on Cities and may be more than just the receipts you were able to save. In addition, remember to keep a file for each trip, who, what, when, where and why plus any documentation including itineraries, tickets, letters, etc. **If you are an employee, this is for state purposes only.**
- 20. Prior years' tax returns-** if you are a new client. **[3 years prior tax returns if possible]**
- 21.** Any information and documentation regarding NY State College Tuition Deduction and any other education deductions and/or credits. You must supply us with proof of tuition payments from the institution [1098-T] so we can complete the education credit forms.
- 22.** If you are making contributions to a NYS 529 Plan and you are a NY resident or you work in New York, this is a deduction on your NY tax return. Please provide us with the amounts contributed in 2020 and if you and your spouse contribute separately, tell us

how much you each contributed in 2020.

- 23.** If you received a tax notice for 2020 (or any previous year) and you paid additional tax, had a refund changed or no action was needed, please provide us with a copy of the notice. There is a good chance it has an effect on your 2020 tax returns. **You should always contact us immediately whenever you receive a notice from any tax agency. They may be incorrect, or they may even be a scam. Any calls you receive without prior notice are usually scams.**

We can very easily send you an organizer. It is a workbook containing all of last year's numbers as filed and can be very helpful in summarizing your information.

***If you can't follow all of this, **WE WILL HELP YOU! ANY QUESTIONS? CALL US.** If you need to schedule or reschedule an appointment, call us sooner rather than later. If you have additional information that we've requested, email it , fax it, or drop it off, but call first to let us know to expect it. Please send us as much information as possible at once as opposed to "drips & drabs". **Thanks so much.**

BUSINESS OUTLINE: ADDITIONAL INFORMATION NEEDED FOR THE PREPARATION OF YOUR 2020 BUSINESS AND RENTAL TAX SCHEDULES

If you have a rental property, please provide:

1. Total rental income received in 2020
2. Summary of expenses broken down by types of expense [mortgage interest, maintenance or common charges, telephone, insurance, etc.]
3. For buildings, improvements, and/or fixtures acquired or sold in 2020, we need:
 - Purchase date/price
 - Disposal date/price
 - Number of days the property was used for personal purposes during 2020
 - Number of days the property was rented during 2020
 - If this is a property you owned and converted to a rental property in 2020, we need to know the cost of the property, when it was purchased, the cost and dates of permanent improvements to the property.
 - If less than 100% of the property is being used as a rental, we need to know the percentage that is for rental usage.

If you are self-employed, please provide:

1. Total gross receipts: Total deposits less all documented non-income deposits for 2020
2. Summary of expenses broken down by type of expense
3. For equipment acquired or sold in 2020, we need:
 - Purchase date/price
 - Disposal date/price.
 - Copy of invoice, if possible
4. If your business has inventory, provide us with the beginning balance (as of 1/1/20) and the ending balance (close of business 12/31/20).
5. If you prepared your own 1099's and/or payroll tax returns and W-2's, we would need copies of them for 2020.

If you use your car or truck for business [or as an employee expense] and are planning on deducting that usage, please provide:

1. Date of purchase
2. Date vehicle was put into business use
3. Cost of auto or if leased, total value (at lease inception)
4. Purchase or lease contracts, if available
5. Total general expenses [gas, repairs, insurance, etc.] by category
6. Total lease payments during 2020
7. Total direct expenses [business tolls, business parking]
8. Total mileage and business mileage [from your log].

The home office deduction is available for a wide range of uses even if it isn't your principle place of business. The room(s) or completely segregated section(s) of your home must be used exclusively and regularly for trade or business purposes. It can be used for administrative purposes and still be deducted. Please provide:

1. Total square footage of home and business square footage of home office
2. Date placed into service
3. Total rent, utilities, insurance and repairs [separately].
4. If owned: All mortgage information plus maintenance, taxes, homeowner's insurance and other policies for your home, common charges, utilities, repairs, date of purchase and cost basis.

*****NOTE:**

If this is a continuing enterprise and you haven't done so already, you should be keeping a set of books for your business. If you need assistance, call us and we will help you set that up. The IRS expects all businesses, no matter how small, to have a set of books.

For all annual business clients, including Sole Proprietors [self-employed], Partnerships, LLC's and S-Corps, please bring in all relevant journals and bank and credit card statements. Please make sure that all non-income deposits [i.e.: gifts, inheritances, loans, transfers from other accounts, etc.] are identified and documented to avoid having the IRS deem them taxable income. ***

If you have any questions regarding this letter or if you need any additional help during this process, please let us know immediately.



SOME BRIEF NOTES AND HELPFUL HINTS FROM TEAM BRAVERMAN:

1. Please feel free to use our web site as a resource –

<http://bravermancompany.com/>

You will be able to review some of the helpful hints, links, calculators and guidelines!

2. Contact us to help you file your PPP as well as your **Employee Retention Credit**, both of which could possibly yield from a few thousand dollars into the millions. Our Firm has been able to help many of our clients receive as much as 100's of thousands of dollars [and a few over \$1,000,000.00] and the ERC is netting some of our most severely affected clients close to an additional \$100,000.00. This credit is not necessarily automatically prepared by many payroll services.
3. Most of you should be aware of the disclosure requirements regarding foreign bank and investment accounts. If you personally own or have signature authority on any foreign bank or security accounts with an aggregate value of \$ 10,000 or more, it must be disclosed. In addition, if you have foreign accounts that are under an aggregate value of \$10,000 than you should still disclose its existence & the country where the assets are held. This includes being an owner or partner in an entity that has a foreign bank or security account.
4. There are additional disclosures required for the following types of foreign assets: retirement accounts, participation in a pension plan whose assets are held outside of the US, ownership of foreign mutual funds, foreign investments not publicly traded, ownership (of any percentage) of businesses operating outside of the US, receiving a distribution of a foreign trust, receiving a gift from overseas whose

value exceeds \$100,000. If any of these situations apply to you, please inform us when we receive your tax information. This is also a situation best handled in person; we strongly suggest you come in for a meeting for this year's tax preparation.

5. For those requesting information regarding NY State and City Residency, here it is in a nutshell:

You are a New York State resident for income tax purposes if:

Your **domicile** is **New York** State [or City for City residency], or your **domicile** is not **New York** but you maintain a permanent place of abode in **New York** State/City for more than 11 months of the year [any place that you could possibly use to live in that's not rented out] and spend 183 days or more in **New York** State/City during the **tax** year. Just so you know, this does not mean staying overnight in NYC but even just setting foot in NYS/C for 10 minutes; and NYS [administrators of NYS and NYC residency examinations] will check your phone records for any calls made even from The Bronx or Queens even if it's just while you're traveling through Westchester or Suffolk County and you make a call from NYC.

6. For our clients who are collecting social security, if you have earned income [which also includes alimony or maintenance payments received], you can still make contributions to an IRA, or, if you still have an active business, it might pay to maximize your SEP or Uni-K contribution because **in addition to reducing your taxable income, it could also reduce the amount of social security that will be included in your taxable income - so that will reduce your taxes even more.** This can also reduce your Long-Term Capital Gains Tax. If you do not need the deduction, you should still consider contributing to your Roth IRA. We will discuss this with you if applicable.
7. If you are expecting low income or losses and high itemized deductions for 2021, this might be a great year for a Roth conversion. A Roth Conversion is when you roll over funds from traditional IRA's into a ROTH IRA. This is a taxable event, however; in a year with low or no income the tax might be negligible or zero. It is a great way to take IRA withdrawals tax & penalty free.

8. **Our FINANCIAL CONCIERGE Services** - Over the past many years, we have been able to help many of our clients with many aspects of their [your] Financial Management needs through **our relationships with financial planning professionals** [some of which may pay us solicitation fees, which will be fully disclosed], **mortgage brokers, insurance providers as well as attorneys in many fields**. We may be able to help coordinate your insurance needs as well as help provide your business succession, retirement and estate planning instruments and services. So, call us if you need the help! If you do not need the help and are already happy with your financial team and providers, it is still a good idea to discuss your financial decisions with us. We play well with others and **we may be able to help you avoid any major mistakes and/or tax traps and can better coordinate your tax and other financial goals and compliance issues if we are kept apprised of your financial activities and needs**.

9. **Our BUSINESS MANAGEMENT Services** - Some of our clients have been requesting our business management services, which include all of our services combined in a program where we act as your financial controller. We organize and pay your bills, set up budgets and report all activity on a monthly basis, in addition to providing our financial concierge services. This can be expensive; as most business management companies charge 5-6% of your monthly income with **minimum** fees of \$2K -\$5K per month. However, this is an option that can be beneficial, in that it can free you up to pursue more productive activities that could generate more income. We also have these services for Companies; it's called our **External Controller Services**. **Please note:** Business Management Services are not an “all or nothing” proposition. We can work with you to provide a less comprehensive level of service if that is more appropriate. We are happy to meet with you and discuss **Business management or Business Management “Lite” as well as External Controller Services**.

10. **Our BUSINESS PLANNING and CONSULTING Services** – Based on our experience working on special project consulting engagements as well as with our clients in their start up phases and all types of transition phases, we have come up with many options that speak to a host of business planning issues. These include but are not limited to: initial structuring; transitioning for growth, including financing; setting up

initiatives for key personnel; and succession planning. Our tailored insight can help you understand how to develop, measure and optimize capabilities across your entire organization, in order to drive business value.

11. We are open for new business- We welcome new clients (individual and businesses); especially when they come from clients we already know and love.



Smart Ideas for Brilliant Clients

Dear Clients & Friends:

Please be informed that on December 20, 2019, the **Setting Every Community Up for Retirement Enhancement (SECURE) Act** was signed into law. This implements important changes especially those related to the retirement savings and distributions. Unless otherwise noted, all changes apply starting in 2020.

The full text of the SECURE Act is attached.

Below are some important highlights of the SECURE Act:

- ✓ Increases the start age to begin taking required minimum distributions (RMD) from a retirement plan to 72 from 70½.
- ✓ Allows individuals that have earned income past age 70 ½ to make contributions to Traditional IRAs and take a tax deduction for those contributions.
- ✓ Raises the automatic-enrollment safe harbor escalation cap to 15% of pay from 10% of pay.
- ✓ Allows two or more unrelated employers to join a pooled employer retirement plan (PEP, also referred to as "MEP" or multiple employer plan).
- ✓ Creates new 401(k) plan coverage and access for small employers.
- ✓ Allows employers to make their plan available to part-time workers, while still excluding them from the discrimination testing rules (and the employer match).
- ✓ Requires 401(k) plan administrators to provide annual "lifetime income disclosure statements" to plan participants.
- ✓ Prohibits 401(k) loans provided through a credit card, debit card, or similar arrangement.
- ✓ Permits businesses to treat qualified retirement plans adopted before the due date (including extensions) of the entity's tax return, to treat the plan as having been adopted as of the last day of the fiscal year.

The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 is a \$900 Billion relief package which delivers a second round of economic stimulus for individuals, families, and businesses. The package provides relief through multiple measures and expands many of the provisions already put into place under the CARES Act.

We have highlighted some of the higher-impact items, more important elements of each provision:

1

Additional Round of Economic Impact Payments (EIP)

- Direct payments
 - \$600 per eligible family member
 - \$1,200 for married filing joint returns
 - \$600 per dependent child under 17 years old
- The payments phase-out starting at \$75,000 of modified adjusted gross income (\$112,500 for head of household and \$150,000 for married filing joint).
- Advance payments are based on information on 2019 tax returns.
- Taxpayers without a social security number are not eligible.
- If the credit determined on the taxpayer's 2020 tax return exceeds the amount of the advance payment, the taxpayer will receive the difference as a nonrefundable tax credit. Taxpayers who receive an advance payment that exceeds the credit do not need to repay the amount.

Unemployment Insurance

- Additional \$300 per week for all workers receiving unemployment benefits, from December 26, 2020 to March 14, 2021.
- Extends and phases out PUA (Pandemic Unemployment Assistance), a temporary federal program covering self-employed and gig workers, to March 14 (after which no new applicants) through April 5, 2021.
- Provides additional weeks for those who would otherwise exhaust benefits by extending PUA from 39 to 50 weeks — with all benefits ending April 5, 2021.
- The bill also provides an extra benefit of \$100 per week for certain workers who have both wage and self-employment income but whose

base UI benefit calculation doesn't take their self-employment into account.

- **Key takeaways:**

- The extension was critical in preventing as many as 14 million Americans from losing this economic lifeline at the end of the year.

Paycheck Protection Program Loans Round 2

2

- The expenses that the borrower paid using PPP1 loan monies are now tax deductible even though the loan is forgivable.
- The new law provides \$284.45 billion to reopen and strengthen PPP for first- and second-time borrowers and reauthorizes the program through March 31, 2021.
- Develops a process for a small business to receive a second PPP if the small business has less than 300 employees and can demonstrate a revenue reduction of 25 percent in any of the first 3 quarters of 2020 from the corresponding quarter of 2019.
- Creates a simplified PPP loan forgiveness application for loans under \$150,000 whereby the borrower signs and submits a one-page certification that requires the borrower to list the loan amount, the number of employees retained, and the estimated total amount of the loan spent on payroll costs. We should know more about this application within the month.
- Expands the list of eligible expenses to include covered operations (software, cloud computing and other human resources and accounting needs), PPE, covered supplier costs and damage costs due to public disturbances.
- Repeals the CARES Act provision that requires borrowers to deduct their EIDL Advance from their PPP loan forgiveness amount.
- The loan monies must be spent within 8-24 weeks from when you get the loan, however, you can now choose any period over those weeks.
- Seasonal businesses, like summer camps, are now eligible to apply. Choose any 12-week period between February 15, 2019 and February 15, 2020 to calculate average monthly salaries. Bear in mind that you will have to spend the monies within 24 weeks of the loan, even if you are not 'in season'.
- Loans will still be required to certify that current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant.

Economic Injury Disaster Loan (EIDL) Advance Program

- The new law provides \$25 billion to restart and extend the EIDL Advance Grant for small businesses in low income communities.
- Creates a process for existing EIDL Advance grantees that received less than \$10,000 to reapply for the difference between what they received and the maximum EIDL Advance Grant of \$10,000.

Extension of the Employee Retention Credit

- Beginning on January 1, 2021 and through June 30, 2021, the provision:
 - Increases the payroll tax credit rate from 50 percent to 70 percent of qualified wages.
 - Expands eligibility for the credit by reducing the required year-over-year gross receipts decline from 50% to 20% and provides a safe harbor allowing employers to use prior quarter gross receipts to determine eligibility.
 - Increases the limit on per-employee creditable wages from \$10,000 for the year to \$10,000 for each quarter.
 - Increases the 100-employee delineation for determining the relevant qualified wage base to employers with 500 or fewer employees.
- Employers who receive Paycheck Protection Program (PPP) loans may still qualify for the ERTC with respect to wages that are not paid for with forgiven PPP proceeds.

Special lookback for Earned Income Credit and Child Tax Credit

- Special temporary rule allowing lower-income individuals to use their earned income from tax year 2019 to determine the Earned Income Tax Credit and the refundable portion of the Child Tax Credit (i.e., the Additional Child Tax Credit) in the 2020 tax year.

Eviction Moratorium and Rental Assistance

- The bill extends the moratorium on evictions under the CARES Act, designed to protect renters from eviction, until January 31, 2021.
- Families struggling to pay rent or with past due rent will be able to get assistance with paying past due rent, future rent payments, as well as utility bills.

Miscellaneous provisions

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- A 100% deduction for business meal food and beverage expenses provided by a restaurant that are paid or incurred in 2021 and 2022. Currently, the deduction is available for only 50% of such expenses.
- Extends the non-itemizer charitable deduction for 2021 and increases the maximum amount that may be deducted to \$600 for married couples filing a joint return (while non-married filers or married filers who file separately are limited to \$300).
- For 2020 and 2021, the percentage limit rules for individuals making cash charitable contributions do not apply. (For example, you don't need to apply the 60% AGI limitation)
- College students and parents with federal student loans will receive an additional extension on student loan payments, and will not be required to make payments on Federal Student loans until April 1, 2021. This includes both principal and interest payments.

Extender provisions

- The 7.5% adjusted gross income limit (instead of 10%) pertaining to the medical expense deduction has been made permanent.
- The higher learning tuition deduction is made permanent by increasing the phase-out limits in the permanent lifetime learning credit.
- The exclusion from gross income of discharge of qualified principal residence debt has been extended through 2025 (was due to expire at the end of 2020).
- The treatment of mortgage insurance premiums as qualified residence interest has been extended for one year through 2021 (was due to expire at the end of 2020).
- The nonbusiness energy property credit for qualified energy improvements to a principal residence has been extended for one year through 2021 (was due to expire at the end of 2020).

- The PPP loan amount is still 2.5 times the average qualified monthly salaries for 2019. If you are in the hospitality business (NAICS Code 72) the loan amount jumps to 3.5 times the average qualified monthly salaries for 2019.

We expect updated guidance to be issued by the SBA within the first week of January 2021 that will clarify further details. Please note that while we are sharing what we currently know, some details are still changing.

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Next Steps:

- Review your accounting records to see if you had a 25% decrease in revenue.
- Check if your employee count is less than 300.
- Reach out to the bank that processed your first PPP round and ask them if you can use the same application for round 2, and what other documentation is needed.