
January 2021 Tax Tips

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Emergency Coronavirus Relief Act of 2020 What you need to know NOW!

You could soon see another stimulus payment in your bank account with the recent passage of the Emergency Coronavirus Relief Act of 2020, which means more direct relief to you and your family. Here are some of the major points you need to know that are buried inside this \$900 billion piece of legislation.

Direct stimulus payments to you. The legislation includes a \$600 payment per person, including adults and dependent children who are under age 17. Payments are based on your 2019 income and should start being distributed shortly. The payment amount phases out for adjusted gross incomes over \$75,000 for single taxpayers and \$150,000 for married couples. If your income in 2019 is over the phaseout threshold, but not over the phaseout threshold for 2020, you will have an opportunity to request the funds on your 2020 tax return.

Extension of unemployment benefits. Federal unemployment benefits of up to \$300 per week are extended through March 14. Benefits for self-employed workers, set to expire at the end of 2020, are also extended. If you have not already done so, you must file for unemployment with your state. These benefits also apply to self-employed and part-time

employees. Many workers who were eligible for this unemployment earlier in 2020 did not file because this class of workers is typically not eligible for most state unemployment programs.

New PPP loan funds. There is additional money available from the Small Business Administration (SBA) for a new round of PPP loans. The new loan program is targeted to businesses that need the funds. To qualify, your business must have 300 or fewer employees and have seen a drop in revenue of 25% or more during any quarter in 2020. Some of the money is earmarked for very small borrowers, underserved communities, and small lenders. There are even simplified requirements for forgiveness if the loan amount being applied for is less than \$150,000.

Eviction moratoriums and rent assistance. The bill extends until January 31, 2021 a moratorium on evictions that was scheduled to expire at the end of 2020. The bill also includes \$25 billion in emergency assistance to renters.

There is much more in this huge bill. We continue to learn more about these changes and the IRS's explanation. Note, that due to the late passing of this bill, it could delay the filing of tax returns. We will continue to monitor the situation.



PPP Loan Expenses Are Now Tax Deductible

If you or your business received funds from the Paycheck Protection Program (PPP), the recently passed Emergency Coronavirus Relief Act of 2020 will help to dramatically cut your tax bill. Here's what you need to know.

Background

The PPP program was created by the CARES Act in March 2020 to help businesses which were adversely affected by the COVID-19 pandemic. Qualified businesses could apply for and receive loans of up to \$10 million. Loan proceeds could be used to pay for certain expenses incurred by a business, including salaries and wages, other employee benefits, rent and utilities.

If the business used at least 60% of loan proceeds towards payroll expenses, the entire amount of the loan would be forgiven.

The Dilemma

While the CARES Act spelled out that a business's forgiven PPP loan would not be considered taxable income, the legislation was silent about how to treat expenses paid for using PPP loan proceeds if the loan was ultimately forgiven.

Congress intended for these expenses to be deductible for federal tax purposes. But since the legislation was silent on this issue, the IRS swooped in and deemed these expenses to be nondeductible.

There was considerable debate over the latter half of 2020, with Congressional politicians explaining that their intent was that the expenses be deductible and the IRS responding "Too bad, they're nondeductible."

The Solution

Congress overruled the IRS's position in the Emergency Coronavirus Relief Act of 2020. The legislation officially makes deductible for federal tax purposes all expenses paid for using proceeds from a forgiven PPP loan.

The states may have different tax treatment.

IRS issues standard mileage rate for 2021

The Internal Revenue Service issued the 2021 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on January 1, 2021, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 56 cents per mile driven for business use, down 1.5 cents from the rate for 2020,
- 16 cents per mile driven for medical, or moving purposes for qualified active duty members of the Armed Forces, down 1 cent from the rate for 2020, and
- 14 cents per mile driven in service of charitable organizations, the rate is set by statute and remains unchanged from 2020.



Our lobby continues to be closed in an effort to keep our clients and team healthy and safe. However, we are here to assist you as always. Simply call or email us.

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