

## November 2020 Tax Tips

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### **IRS issues additional guidance on the Non-deductibility of PPP funded expenses.**

While this seems to contradict the original intent of the PPP program, on Wednesday last week the IRS restated its position that taxpayers cannot claim deductions for any otherwise deductible

expense from proceeds of a Paycheck Protection Program (PPP) loan. They issued a revenue ruling (Rev. Rul. 2020-27) to provide this guidance.

In May, the IRS issued Notice 2020-32, stating a taxpayer receiving a loan through the PPP is not permitted to deduct expenses that are normally deductible under the Code to the extent the payment of those expenses results in loan forgiveness under the CARES Act.

There were two situations in which a taxpayer receives a PPP loan in 2020 and pays eligible expenses under the CARES Act. In one situation, the taxpayer applies for forgiveness of the PPP loan (and knew the amount of expenses that qualifies) in November 2020 but has not been informed by the lender at the end of 2020 whether the loan will be forgiven. The second, the taxpayer has not applied for loan forgiveness by the end of 2020 but knew the amount of expenses that qualifies.

In both situations, because the taxpayer has a reasonable expectation of reimbursement at the end of the year the deduction of the expenses is inappropriate.

There are situations in which the taxpayer may not have some or all of the PPP loan forgiven. In those cases there are safe harbor filings that can be made to have the otherwise disallowed expenses deductible.

As we move to year end planning if you have questions about this and the effect on your tax

plan give our office a call.

## The Lowdown on the Great Autumn Gourd

Corn might be the king of U.S. crops, but pumpkins are always in demand this time of year by kids and others celebrating fall's festivities.

Here are several interesting tidbits about one of America's favorite fall gourds for you to share with your family and friends.

**Germany boasts world's largest pumpkin.** Mathias Willemijns showed off the world's largest pumpkin in 2016 at the Giant Pumpkin European Championship, officially weighing in at a stout 2,624.6 pounds. Steve Geddes of New Hampshire is the owner of the largest U.S. pumpkin, weighing 2,528 pounds at the 2018 Deerfield Fair.

**Illinois is the U.S. pumpkin leader.** Pumpkins are grown in all 50 states, but Illinois is by far the leader with about 600 million pounds of pumpkins harvested every year. Runner-up honors go to California, Indiana, Michigan, New York, Ohio, Oregon, Pennsylvania, Texas and Virginia. Each of these states annually produce approximately 100 million pounds of pumpkin.

**Pumpkin beer has plenty of fanfare.** Pumpkin beer was actually a thing hundreds of years ago when the Pilgrims arrived in America as pumpkins were plentiful and provided an easy source of fermentable sugar. Who knew?

**Pumpkin carving started with the Irish.** Jack-o'-lanterns were first carved by the Irish and Scottish using turnips and potatoes. They used the carved vegetables as part of their Celtic celebrations. Immigrants brought their carving traditions to America, but found that pumpkins were an easier vegetable to carve.

**There are more than 40 varieties of pumpkin.** The best pumpkins to use for cooking are Bab Pam, Autumn Gold, Ghost Rider, New England Pie Pumpkin, Lumina, Cinderella and Fair Tale. Most of the pumpkins you see on roadside stands and farms are for decoration only and not very tasty.



## Social Security Benefits Increase in 2021

Retired workers in 2020 received an average of \$1,523 / month. That benefit is expected to increase about 1.3% to \$1,543 in 2021.

### Did you know...

- \* You can increase your Social Security retirement benefits by 5-8% when you delay applying until you're age 70.
- \* 1 in 4 seniors expect Social Security to be their primary source of income.
- \* Social Security pays benefits to more than 70 million people including retirees, children and surviving spouses.

### 2021 Social Security and Medicare tax rates

If you work for someone else...

- \* your employer pays 7.65%
- \* you pay 7.65%

If you're self-employed...

- \* you pay 15.3%

Note: The above tax rates are a combination of 6.2% for Social Security and 1.45% for Medicare. There is also 0.9% Medicare wages surtax for those with wages above \$200,000 single (\$250,000 joint filers) that is not reflected in these figures.

### Maximum amount you can pay in Social Security taxes

2020: \$8,537.40

2021: \$8,853.60

165+ million people work and pay Social Security taxes.

Social Security has provided financial protection for Americans since 1935.

### Maximum earnings amount Social Security will tax at 6.2%

2020: \$137,700

2021: \$142,800

### How does Social Security work?

- \* When you work, you pay taxes into Social Security.
- \* The Social Security Administration uses your tax money to pay benefits to people right now.
- \* Any unused money goes to the Social Security trust funds.
- \* Later on when you retire, you receive benefits.

### Social Security payments explained

SS Social Security retirement benefits are for people who have "paid into" the Social Security system through taxable income.

SSD or SSDI Social Security Disability (SSD or SSDI) benefits are for people who have disabilities but have "paid into" the Social Security system through taxable income.

SSI Supplemental Security Income (SSI) benefits are for adults and children who have disabilities, plus limited income and resources.

## Here's how to qualify for your retirement benefits

When you work and pay Social Security taxes, you earn "credits" toward Social Security benefits. The number of credits you need to get retirement benefits depends on when you were born.

If you were born in 1929 or later, you need 40 credits (10 years of work) to receive Social Security retirement benefits.

The earnings needed for a credit in 2021 is \$1,470.

4 credits maximum per year.

## Did you know you can check your benefits status before you retire?

You can check online by creating a my Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.

It shows your year-by-year earnings, and estimates of retirement, survivors and disability benefits you and your family may be able to receive now and in the future.

Sources: SSA.gov

**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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