



Dear Business Owner,

What a year 2020 has been! There have been many changes due to the CARES Act, as well as other legislation passed by Congress, that directly impacts many small businesses. Please set aside some time to read through this letter and make a note of the items that apply to your business.

- Most Important:** The S-Corp and Partnership filing deadline is March 15th, 2020. We will need your QuickBooks and/or completed business information no later than **February 22nd** if you would like to file by the business deadline. With the new legislation passed by Congress in 2020, it may be beneficial for you to extend your tax return and wait for more clarity on certain new provisions, such as payroll credits, deductions, and the new grant and loan programs.
Action Item: **Provide completed business information to our office or ask for an extension no later than February 22nd**

- Loans:** Legislation passed by Congress create forgivable and non-forgivable loan programs for small businesses. These include the EIDL loans, Payroll Protection Program (PPP) loans, as well as state grants under certain qualifications. These loans and grants may have different tax consequences for your business and/or business partners depending on the type of loan or grant you received.
Action Item: **Properly classify your pandemic loans and grants to ensure accurate tax reporting. Make sure to include documentation on PPP loan forgiveness in your tax documents to bring to us**

- Cares Act Credits:** Part of the CARES Act legislation created new credits for employers who retain employees and pay employees who have been impacted in specific ways by COVID-19. These credits were recently extended into the second quarter of 2021. While the nuts and bolts of the new credits are too lengthy to go into detail here, you may qualify for retention credits and/or sick and family leave credits for payroll you've continued to pay during the pandemic.
Action Item: **If you've taken pandemic payroll credits, please make us aware of them with your tax documents so we can properly classify these credits for tax reporting purposes. Make sure to include all 941 Forms and W-3 with your year end tax forms that you bring to us. Please schedule a consultation with us if you would like further guidance**

- Online Sellers:** The 2018 Wayfair case changed how vendors are required to report sales in various states for online retail companies. A sale occurs where the service took place or where the client took possession of the product. Many states are now very strict regarding businesses reporting sales on their income tax returns. If you are a multi-state online retailer, you will need to break out your income earned by state to confirm which states you are required to report in for income tax purposes.
Action Item: **Track business sales by state for sales tax and income tax reporting if necessary**

- W-2 Employers:** It is still vitally important for all business who are required to file W-2's to do so timely. In addition to avoiding penalties, this also ensures qualification for the QBI deduction. W-2's must be filed with the IRS and postmarked by **January 31, 2020**.
Action Item: **Make sure W-2's are filed on time**



- W-2 Employers Health:** Healthcare employer rules are still in place. This means you can't reimburse employees directly without a Health Reimbursement Arrangement in place. If you have an FTE of 50 or larger and did not offer insurance in 2020 you may be subject to a \$2,000 per worker penalty. The individual mandate is no longer a federal problem, but Employer ACA rules are still in place.
Action Item: **Are you compliant with healthcare rules?**

- S-Corps:** The IRS looks closely at your payroll to ensure it is reasonable for your position at your company. The IRS requires you to take a "reasonable compensation" through payroll. This is a **high audit risk** issue. Also, be aware the amount of W-2 compensation directly affects your Social Security income when you retire.
Action Item: **Determine if your owner payroll is adequate. Please schedule a consultation with us if you would like further guidance**

- All:** Entertainment expenses are still no longer deductible. Qualified business meals are still deductible at 50% for 2020. You must be able to substantiate that your business meals are directly related to the conduct of business with receipts. Documenting "who, when, where and why" has become more important than ever.
Action Item: **Reclassify entertainment expenses and review business meals for deductibility**

- All: Subcontractors:** Does anyone provide a service for your business? If you pay a vendor (service provider) more than \$600 for services in a calendar year and they are un-incorporated, you need to issue them a **1099**. This is an area the IRS gets very nasty about in an audit. If they are not an employee, a W-9 needs to be filled out when they begin working. When in doubt, file a 1099. Be advised: There is a new 1099-NEC that will replace the 1099-MISC for Nonemployee Compensation payments. The due date for the 1099-MISC and the new 1099-NEC is **January 31, 2020**.
Action Item: **review payments to subcontractors for services, gather w-9's, and issue 1099's. Ensure you are properly reporting Non-employee compensation payments on the new 1099-NEC form**

- All: Vehicles:** A mileage log is required for all vehicles used in a business. The mileage log must consist of the date, destination, business purpose, odometer readings, and mileage for each trip taken to substantiate any vehicle expenses. Vehicles used as equipment such as cargo vans or dump trucks may have an exclusion to this rule.
Action Item: **Keep a contemporaneous mileage log or get a mileage tracking app to track business and personal miles for all business use vehicles**

Remember our secure portal to upload confidential documents at <https://corecpa.net/Forms.php>

Thank you for trusting our company with your tax & accounting needs for another year. We are honored to be your trusted advisors.

Sincerely,

Core Accounting and Consulting