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Eastside Recovery Hub

Webinar Series

www.OneEastside.org

2020 TAX UPDATE: How the EIDL, PPP, ERTC, PUA and Regional Grants Will Affect Your Taxes

February 4, 2021 | 2:00 – 3:30pm

Disclaimer: To the best of our knowledge, this information was correct as of the time of this webinar. Given the fluidity of the situation, and rapidly changing guidelines, be aware that some of this information may have changed.

Please visit the SBA & IRS websites for updated information at www.sba.gov and www.irs.gov.

2020 TAX UPDATE

02.04.21

KRISTINA HUDSON

Executive Director
OneRedmond



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Supporting Regional Eastside Partners



Business Advisors
Confidential, No Cost,
One-on-One Technical Assistance



Mari Wruble, mariw@oneredmond.org

<https://wsbdc.org/contact-an-advisor/>

(re) STARTUP425

Michael Reis

<https://re.startup425.org/>

Technical Assistance for Non-English speakers



<https://www.commerce.wa.gov/serving-communities/technical-assistance-from-trusted-community-messengers/>



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Eastside Recovery Hub Upcoming Webinars

February 11, 2021 | 1:00pm – 3:00pm

EIDL, EIDL Advance & Shuttered Venue Operators Grant

Cynthia Cowell, Public Information Officer

Office of Disaster Assistance, Field Operations Center - West

U.S. Small Business Administration (SBA)



Washington SBDC Upcoming Webinars

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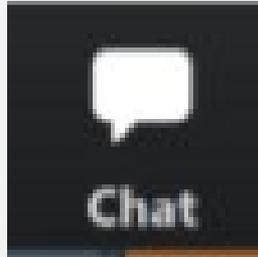
Feb 5: **Updates to PPP Loan Forgiveness Instructions**

Feb 19: **Updates to PPP Loan Forgiveness Instructions**

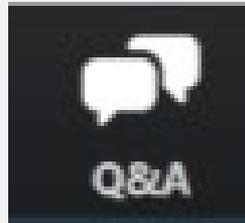
Feb 26: **SBA Round 2 COVID-19 relief and PPP App**

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the webinar?
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Questions for the
Speakers?
Use the **Q&A Box**



Recording will be available
following the webinar

Featured Speakers



Cathye Mason

Stakeholder Liaison

Internal Revenue Service (IRS)



Ricky Waldmann

CPA, CVA, MPAcc

Senior Tax Manager

Falco Sult

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CATHYE MASON

Stakeholder Liaison
Internal Revenue
Service (IRS)



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RICKY WALDMANN

CPA, CVA, MPAcc

Senior Tax Manager

Falco Sult



Employee Retention Credit

- **Essentially, the government pays a portion of qualified wages of your employees**
 - Employee Retention Credit (ERC) limits:
 - 2020: up to \$5,000 per employee/year
 - 2021: up to \$14,000 per employee/year (\$7k per quarter, Q1/2)
 - Owners do not qualify for ERC
 - Eligible wages paid:
 - 2020: between March 12, 2020 and 12/31/20
 - 2021: between 1/1/21 and 6/30/21
 - Fully refundable
 - Offsets Form 941 taxes (payroll taxes)
 - Excess credit is refunded
 - Can not double count wages used towards FFCRA credits/PPP forgiveness

ERC Continued

- **Business suspension**
 - Government forced shutdown
 - Paid wages during period in which both:
 - Operations were partially or fully suspended and
 - Government order in effect
- **Significant decline in gross receipts**
 - 2020 quarterly gross receipts drop below 50% compared to SAME QUARTER in 2019
 - 2021 compare quarterly gross receipts to same quarter in 2019, but only need 20% decrease

ERC Continued

- **Gross receipts example**

Quarter	2020 GR	2019 GR	Qualifies for ERC?
Q1	\$400,000	\$1,000,000	Yes, < 50%
Q2	\$750,000	\$1,000,000	Yes, < 80%
Q3	\$850,000	\$1,000,000	Yes, quarter crossed 80%
Q4	\$1,000,000	\$1,000,000	No

- **Claiming the credit**

- File Form 941-X
- File Form 7200

EIDL Advance & EIDL Loans

- **PPP forgiveness not reduced by EIDL advance**
 - Applied even if EIDL advance is not paid back
- **Can “catch up” if full \$10k not received**
 - If you only had 3 employees, capped at \$1k per employee, only received \$3k advance
 - Can now go back and get another \$3k (\$1k per employee up to \$10k maximum)
- **EIDL advances grants are tax exempt**

PPP Loan Round One

- **Expenses are fully deductible**
 - Effective as of the date of enactment of the CARES Act
 - How does this affect businesses?
 - Basis updates
 - Reporting on tax returns
 - Example
 - Client received \$10k PPP Loan
 - All forgiven, used to pay wages
 - \$10k deduction in year paid

PPP Loan Round One

- **Increasing initial PPP Loan**

- Can get “second bite” at full amount if not taken originally

- Must not have received forgiveness
- Changes to seasonal employees
- Borrowing limits do not change
- Allows you to fix mistakes made in round one

Unemployment & PFML

- **Unemployment Insurance**

- Benefits paid directly to eligible individuals who have lost their jobs, or otherwise experienced a significant reduction in working hours. Funded by employer taxes, supplemented by Federal government.
- Recipients
 - If eligible, receive benefits for each claimed week, based upon earnings in the “base year”.
 - Benefits are taxable income to the recipient
 - Recipient receives Form 1099-G for the relevant tax year

Unemployment & PFML

- **Paid Family Medical Leave (PFML)**
 - Benefits paid directly to eligible individuals taking time-off for qualified medical or family leave events. Funded by employee and employer contributions.
 - Recipients (Employees/Individuals)
 - Typically, qualified if you have worked 820 hours or more over the last year.
 - Can receive up to 90% of weekly pay for each claimed week:
 - Maximum of \$1,000/week in 2020.
 - Maximum increases to \$1,206/week in 2021.
 - Washington issues Forms 1099-G reporting benefits paid to recipients, individuals must determine how to report these amounts
 - Assumption is benefits are taxable to the recipient

Other Grants

- **Regional Grants**

- Offered by state/local governments or private organizations to eligible businesses

- Grants to businesses are treated as taxable income, as they do not qualify for the general welfare exclusion, because such grants are not based upon individual or family needs.
- Grant recipients should receive Forms 1099-G or 1099-MISC from the issuer, for the relevant tax year the grant was received in.
- Box 6 of the Form 1099-G or Box 3 of the Form 1099-MISC will include the taxable grant amount for the business to report on their respective tax returns.



Families First Coronavirus Response Act (FFCRA)

The FFCRA provides businesses with tax credits to cover certain costs of providing employees with paid sick leave and expanded family and medical leave for reasons related to COVID-19, for periods of leave from April 1, 2020, through March 31, 2021.

Note: The COVID-related Tax Relief Act of 2020 extends the tax credits available to Eligible Employers for paid sick and family leave provided under the EPSLA or Expanded FMLA through March 31, 2021. Therefore, any references to these credits expiring on December 31, 2020 have been updated to March 31, 2021.



Earned Income Tax Credit (EITC) Relief

The Earned Income Tax Credit (EITC) helps low- to moderate-income workers and families get a tax break. If you qualify, you can use the credit to reduce the taxes you owe – and maybe increase your refund.

The IRS recommends that all workers who earned \$54,000 or less learn about EITC eligibility and use the EITC Assistant to find out if they qualify.

Note: The If your earned income was higher in 2019 than in 2020, you can use the 2019 amount to figure your EITC for 2020. This temporary relief is provided through the Taxpayer Certainty and Disaster Tax Relief Act of 2020



Not Necessarily COVID...

Work Opportunity Tax Credit Extended

- Now available for new hires through December 31, 2025
- Applies to those with certain barriers to employment
- Includes individuals who have been out of work for 27 weeks or more at the time of hire
- For more information, check out the page on the IRS.gov:
<https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit>

Q & A



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