

Tax Strategies for 2021



Agenda



Tax Changes 2020

- PPP Flexibility Act
- PPP forgiveness
- Full Deductibility
- EIDL Grants
- PUA

Preparing for 2021 Tax Season

Choosing your Business Structure

- S Corporation
- Limited Liability Corporation
- Sole Proprietorships
- General Partnership

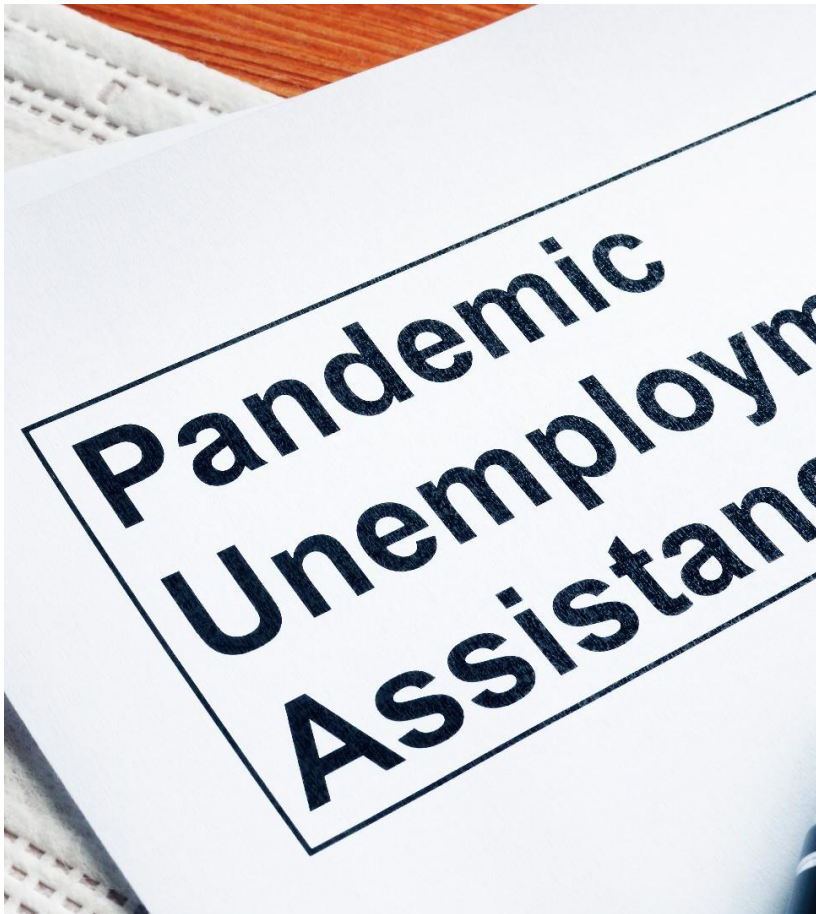
Frequently Asked Questions and Q&A

PPP and Tax Filing 2020

PPP and Tax Filing 2020



- PPP Flexibility Act: Deferment of payroll taxes is allowed
- PPP Forgiveness: The forgiven loan amount is not taxable.
- Full **deductibility** of ordinary and necessary business **expenses** that were paid with a forgiven or forgivable **PPP** loan.



PPP and Tax Filing 2020 contd.

- **EIDL grants** (also called advances) are not taxable. Business expenses bought with these grants are deductible. The EIDL grant is **not taxed** and does **not need to be repaid**
- **PUA** counts as income and so **must be reported** on your return.

2020 Taxes: Take-a-ways PPP, EIDL and PUA

PPP

- Payroll expenses
- Mortgage interest
- Utilities payments
- Rent
- Operational expenses
- Property damage costs
- Supplier costs
- Worker protection expenditures

EIDL

- Tax free
- No repayment

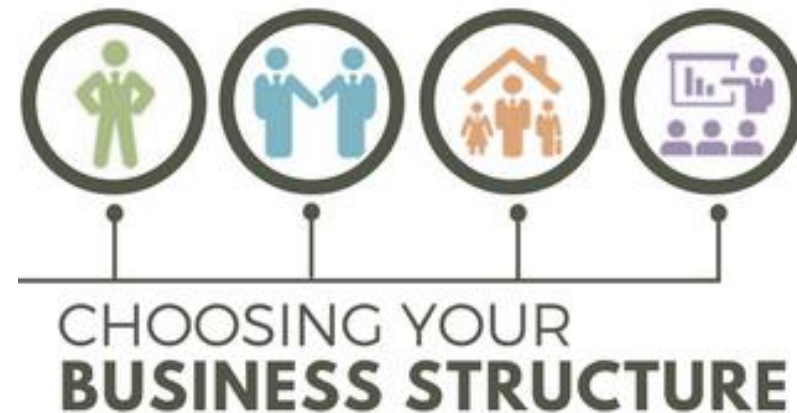
PUA

- Unemployment benefits are considered taxable income.
- Additional requirements
(Based on residence)

2021 Choosing your Business Structure

Preparing for 2021 Tax Season

- Limited Liability Corporation (LLC)
- Sole Proprietorships
- S Corporation (S Corp)
- General Partnerships
– **Not Recommended**



Sole Proprietorship: Tax Advantages



- No Corporate Business Taxes or Double Taxation
- No Annual Reports or Filings
- Not Restricted by Formality

Disadvantage

- Full Liability
- Personal Responsible for every asset and liability
- Profit and loss your business experiences
- This means your private assets are directly at stake

S Corporation: Tax Advantages

- No double taxation of distributions to shareholders
- Income automatically flows to the shareholder level where tax rates are lower than corporate rates
- “Flow-through” income is subject to ordinary income tax rates, but not employment taxes
- Income of the company is easily distributed to shareholders.

Disadvantage

- Minimal cash retention. It is difficult for an S corporation to build up cash reserves, since its shareholders need distributions in order to pay taxes on the income that has been passed through to them.

General Partnerships: Tax Advantages

- General partnerships do not pay income tax
- Tax Distribution
- Owners or partners of a GP pay taxes



Disadvantages

- Owners' personal assets put at risk for liability
- Each partner is liable for all debts
- Can be messy to dissolve
- Investors usually won't invest in GP



Limited Liability Corporation: Tax Advantages

Flexibility – LLC may be taxed in four primary ways:

- As a sole proprietorship
- As a partnership
- As a S corp.
- As a C corp.

No double taxation
Business Expenses

Key Highlights

The business structure you choose influences everything from day-to-day operations, to taxes, to how much of your personal assets are at risk.

Business structure	Ownership	Liability	Taxes
Sole proprietorship	One person	Unlimited personal liability	Personal tax only
General Partnership	Two or more people	Unlimited personal liability	Self-employment tax Personal tax
Limited Liability Corporation	One or more people	Owners are not personally liable	Self-employment tax Personal tax or corporate tax
S Corp	One or more , but no more than 100, and all must be U.S. citizens	Owners are not personally liable	Personal tax

Frequently Asked Questions

I am a Sole Proprietorship. What are my tax deductions or tax write-offs?

Expenses a Sole Proprietorship can “write-off”

- Office Space
- Banking and Insurance Fees
- Transpiration
- Client Appreciation
- Business Travel
- Professional Development

Frequently Asked Questions

Are there any tax benefits because of the pandemic? Stimulus payments, will they be taxed?

- Nope. The economic impact payments are not treated as income.

Could I be eligible for a larger check?

- It's possible, particularly if your financial situation or status changed last year.
 - The recovery credit on the 2020 return is based on an individual's 2020 tax year information.
 - If your income dropped in 2020, and you didn't receive the full amount, you could potentially receive more.

Frequently Asked Questions

What are 2021 Federal Tax Deadlines for Small Business?

- The IRS is once again moving the income tax filing deadline to allow more time to complete and submit your tax return and to pay any taxes you may owe.
- This year, business and individual taxpayers who normally have to file their tax return by April 15 will have until May 17, 2021 to file their 2020 taxes.

How can I file a forgiveness of a PPP loan?

- SBA form 3508 or 3508EZ along with your tax return.

Can I amend or postpone my 2020 tax return this year?

- Yes, you can always amend your submitted tax return.

Questions

