



## **PRESIDENT'S REPORT** **ANNA MAYER, EA**



What a year! What a tax season, and it's not over yet – the year or, the tax season. In addition to our language of taxes we can now add the language of Covid. Since early February I don't believe a day has gone by that I haven't heard many of the following terms: social distancing, quarantine, essential workers and essential businesses, stay at home order, stimulus payments, PPP, EIDL, loan forgiveness, tax deadline extensions, masks, sanitizers and, I still can't figure out why, but, toilet paper.

This has been a time to feel very grateful for my membership with NATP. National has made a number of webinars available to help the tax community better serve our clients and to be able to give them the 'right' answers to their questions. On Facebook I've been able to connect with different tax groups to get a better understanding of the very recent and ongoing tax law changes; then there's always, the 'phone a (tax) friend' to discuss and better understand so many tax law changes.

As president of the MI Chapter of NATP there were communications in various forms to decide what the year ahead might look like. Unlike the majority of the NATP state chapters we hold our Annual Meeting each May, combined with relevant tax education. In doing what we felt was best for the members of our Chapter we cancelled the Annual Convention scheduled for May and will hold our Annual Meeting, with elections in September, at the Two-for-One Seminar, assuming that MI restrictions to have such gathering have been removed.

Information about events are posted and updated on the [MI website](https://www.minatp.org/) @ <https://www.minatp.org/> and a great place to communicate with other members is @ <https://www.facebook.com/groups/minatp/>.

Stay well and work safe!

Anna Mayer, EA

## **YOUR BOARD OF DIRECTORS**

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## **COMMITTEE CHAIRS**

**Awards:** Jerry Coon/Marilyn Meredith  
**Budget/Fin. Rev:** Jon Garlick/Sylvia Collins  
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**Newsletter:** Jill Schneider/Marilyn Meredith  
**Nominations:** Jill Schneider/Jerry Coon  
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**Registration:** Susan Cullen/Sheila Weigold/Roger Voss  
**Research Materials:** Vickie Black  
**Social Media/Website:** Anna Mayer/Susan Cullen

September 17, 2020	<b>WORKING TOGETHER</b>  <b>Keynote Speaker: LaTanya Bacon</b>  <b>IRS Taxpayer Advocate Services</b> <b>State of Michigan Tax Updates</b> <b>Maximizing Educational Tax Credits</b> <b>Pension and Retirement</b> <b>Rental Property and QBI Deduction</b> <b>Plus More</b>	<b>VIRTUAL</b>
January 8, 2021	<b>LAST CHANCE</b>	<b>LANSING, MI</b>
	<p>On July 24, 2020 the NATP national office and the Board of Directors had to make the difficult decision to cancel all remaining 2020 in-person events. This includes the Tax Forums, AFTR Workshops and 1040 Workshops.</p> <p>Our Purely Michigan events coincide with Nationals classes. Michigan Chapter is canceling the in-person Purely Michigan seminars. Watch for more news on what will replace the in-person Purely Michigan events.</p> <p>Keep your eyes and ears open as NATP is working on developing virtual alternatives to these events.</p>	

**NEWS ALERT!**

- Under the CARES Act for the tax year 2020, those individuals who do NOT itemize can deduct up to \$300 of cash donations without having to itemize. This is called an “above the line” Deduction
- Under the CARES Act individuals are allowed to bypass any required RMD’s (Required Minimum Distributions) for 2020.
- Under the Secure Act the age for RMD’s has changed. Effective being 2020 the RMD age has been raised to 72.

# HOW OUR BOARD MEMBERS SURVIVED COVID-19 AND THEIR CRAZIEST MOMENTS

Hi fellow MI-NATP members.

It sure has been one heck of a tax season, hasn't it? Well, not just the tax season but life in general has been borderline out-of-control since the word Coronavirus and the term Covid19 Pandemic or just The Pandemic became part of our vocabulary. As many of you know, I sold Action Tax Service to Integrity Tax Group last year so it has been interesting transitioning to employee status rather than being the owner. I believe "interesting" might be too "calm" a word when it comes to seeing the changes Integrity has had to make to keep returns successfully flowing in and out of the doors. Client and employee safety always came and comes first. Every preparer is now working remotely. To allow us to work at home, a skeleton crew works at the office processing client information after a safe quarantine period. They take and make telephone calls and process emails with all client information being scanned in at the office. After the preparer is finished and the return is ready for processing, the office puts the final package together for the client. Considering the circumstances, Integrity has done a truly impressive job.

One funny item that happened to me personally happened a couple of weeks ago. I received the memo that the IRS had announced that some deceased taxpayers had erroneously been sent an Economic Stimulus Payment. The memo then detailed the procedure for sending the check back. When my home mail came later that day, lo and behold, a check from the IRS was in the mail addressed to my mother who passed away in 2018. It was made out to her with the word, "dec'd" after her name. The IRS knew she was deceased and still sent her a check. Of course, I voided it and sent it back per the instructions. Oh yeah, Deb and I still haven't received a check. I always wanted the IRS to pay me for once, too. Well, maybe since I have written about it, we will get it tomorrow.

Stay safe and be well,

Jerry Coon

Hi Fellow MI-NATP Members.

I did my taxes this year on a "No face to face" system. We had people drop off their taxes at two mailboxes at our back door. Then we did the returns within the next two or three days, called the client when ready and set a time for them to pick up their returns and leave their signature for and fee in the mailboxes. The system worked well for us.

Roger and Pearlle Voss

Coronavirus has made everyone crazy. Most of the incoming calls have been "where's my stimulus money." Many individuals that have called me are here on different visas. If filing a joint return both taxpayers must have a Social Security number to qualify for the payment. It is possible to amend 2019 before the due date of the return to change filing status to MFS, but for the taxpayers that I have reviewed this doesn't work. We can also check what the difference will be when filing their 2020 returns.

Since I work for a corporation, I did not set operational standards. The company started a drop off only service, early March. Our doors were closed on March 25th. We are just now able to go into the office to work on returns, but no client interaction. Working with clients remotely is a challenge.

What I have learned from all of this is: Take it one day at a time. Get multiple ways to contact clients.

Sherry Nelson

Many of us have been getting calls from our clients about their stimulus checks. One of the many questions that are being asked is about having received a stimulus check for my deceased mother, father, wife, husband, etc. Below is the information you can supply to your clients on what to do with those stimulus payments.

### **NEW INFORMATION FOR DECEASED TAXPAYERS**

If taxpayer died BEFORE receipt of the payment, the payment must be returned to the IRS.

#### **If it is a paper check:**

Write "Void" in the endorsement section on the back of the check.

Mail the voided Treasury check immediately to the address below.

Don't staple, bend or paper clip the check.

Include a brief explanation of the reason for returning the EIP.

#### **If the check was cashed or the payment was direct deposit:**

Submit a personal check, money order, etc. immediately to the address below.

Write the check/etc. payable to U.S. Treasury and write 2020EIP and the taxpayer's Social Security number on the check.

Include a brief explanation of the reason for returning the EIP.

#### **ADDRESS:**

Kansas City Refund Inquiry Unit

333 W Pershing Rd

Mail Stop 6800, N-2

Kansas City, MO 64108

#### **\*\*PENSION SUBTRACTION CHANGE\*\***

For tax years beginning after December 31, 2019, Act No. 65 of Public Acts of 2020, approved March 27, 2020, Paragraph 9(f) . . . a surviving spouse born after 1945 who has reached the age of 67 and has not remarried since the death of that spouse may elect to take the deduction that is available against all types of income subject to the same limitations and restrictions as provided under this subsection based on the surviving spouse's date of birth instead of taking the deduction allowed under subsection (1)(f), for a single return, based on the date of birth of the older spouse.

#### **Filing Deadline for Forms 941 and Related Tax Payments**

There is a lot of confusion whether or not the Form 941 filing and payment has been extended. The IRS **did not** extend the filing deadline for 1<sup>st</sup> quarter Form 941. The due date was April 30, 2020 and remains April 30, 2020. The 2<sup>nd</sup> quarter Form 941 due date is July 30, 2020. There is a Corona-19 virus program under the CARES Act based on your Form 941 but not for the first quarter 2020 Form 941. The new program does not apply until the filing for the second quarter 2020. Go to [irs.gov/coronavirus](https://irs.gov/coronavirus) to find more information on this program.

## PAYCHECK PROTECTION LOANS

Many of us have received calls from our clients about the PPP Loans and now that they have the loans, its time that we help our clients and make sure that they track and complete the Forgiveness Application correctly. On June 5, 2020 new regulations for forgiveness of the PPP Loan were passed by Congress. The new regulations are known as the Paycheck Protection Program Flexibility Act (PPPFA) . In this article we are going to cover: How can I get my PPP Loan forgiven? What qualifies as utilities for PPP? How do I calculate the amount of proceeds used and eligible for forgiveness? How do I apply for Forgiveness? Can a self-employed individual apply for a PPP Loan?

### How can I get my PPP Loan forgiven?

All Participants in the PPP Loan program are eligible for forgiveness if the loan proceeds are used for authorized expenses. Forgiveness of the self-employed PPP Loan is the same as for the for non-self-employed. PPP funds must be used for payroll, mortgage **interest**, rent/lease or utilities. Qualifying utilities are outlined below.

### Paycheck Protection Program Flexibility Act (PPPFA)

The PPPFA Act makes it easier for your clients to qualify for forgiveness and loosens some rules. Some of the Key changes include:

- **Extension of forgiveness period** from 8 to 24 weeks
- **Decrease in the minimum amount** that must be spent on payroll from 75% to 60%
- **Increased loan maturity** from two to five years for **new PPP loans**
- **Extended deadline to rehire** staff from 6/30/20 to 12/31/20
- **Reduction in workforce to pre-pandemic levels won't impact forgiveness if:**
  - Unable to hire a former employee
  - Able to demonstrate an inability to rehire similarly qualified employees
  - Demonstrate inability to return to same level of business activity before 2/15/20
- **New borrowers have 5 years at 1%** (lender and borrower must agree) to repay unforgiveable portion of the loan
- **Delayed payment of payroll taxes**

Changes are continuing to evolve on this subject. Be sure to double check for future updates before giving advice to clients or assisting your clients with completing the forgiveness application.

### How do I apply and calculate the amount of eligible forgiveness?

How to calculate these amounts is another question that I have received. There are two spreadsheets available to use in calculating the amounts and can be used for submission with your Application for Forgiveness. If you would like to receive the spreadsheets in Excel, email me at [jill@grandvilletax.com](mailto:jill@grandvilletax.com). On June 16, 2020 two new forgiveness applications were released: Revised Full Forgiveness Application and an EZ Application.

The PPP Loan Forgiveness Application can be obtained by going to [www.sba.gov/sites/default/files/2020-04/3245-0407](http://www.sba.gov/sites/default/files/2020-04/3245-0407).

### What qualifies as utilities for PPP Loan Forgiveness?

In general, the SBA has described the following utilities as eligible expenses for forgiveness: phone, internet, gas (heat), water, electricity.

### How do I calculate the amount of proceeds used and eligible for forgiveness?

First, the loan proceeds should be used for the business expenses outlined above but here is additional criteria:

- Interest on mortgage obligations incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.

Second, gross payroll costs including salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee):

- Payments to Independent Contractors are **NOT** included.
- Per SBA/Treasury released April 7, 2020—the definition of payroll costs are calculated on gross basis with no reduction for federal taxes imposed or withheld; does not include employer's share of payroll taxes.
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.
- Compensation to employees whose principal place of residence is outside of the United States.

## PPP for the Self-Employed

### Can a self-employed individual apply for a PPP Loan?

Yes self-employed individuals who file Form 1040, Schedule C are eligible to apply for a PPP loan. To determine the amount they are eligible to apply they must show a profit on their Schedule C. There are two ways self-employed individuals are to apply and that depend on whether or not they have employees. The instructions for how to calculate the amount are different and too long to include in this article. The funds are to be used the same as non-self-employed individuals (compensation replacement, mortgage interest payments, business rent and business utility payments).

NOTE: Excluded from payroll and owner compensation are qualified sick leave equivalent amount for which a credit is claimed under Section 7002 of the First Coronavirus Response Act (FFCRA) (Public Law 116-127) or the qualified family leave equivalent amount under Section 7004 of the FFCRA).

### Determining a period for average payroll costs:

Employers will need to select a pay period in order to determine average monthly payroll costs. Unless the business is a seasonal business or was not in business and paying employees before February 15, 2020, the pay period should be 12 months from the report date. An example would be, if today is June 1, 2020, then the recommended period would be June 1, 2019 to May 31, 2020.

Seasonal employers who have higher-than-average payroll costs during the months in the “Covered Period” (Feb 15—June 30) should select the period February 15, 2019 to June 30, 2019.

New business (any business not in business and paying employees by February 15, 2019) should select a period January 1, 2020 to February 29, 2020.

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