



# Re4ormed Reblue

<https://www.veteransproduce.org/>

## 4All Call Series

January Reblue 1: 2020 Business Tax Preparation  
<https://www.veteransproduce.org/>

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# 2020 BUSINESS TAX PREP

## BIG PICTURE CONSIDERATIONS

- CPA prepared or do it yourself?
- What is your business setup and what forms are required?
- What are your filing due dates?
- 2020 tax tables & key limits
- What deductions are you allowed to take?
- What deductions are you not allowed to take?
- Other deadlines for tax savings strategy deductions
- CARES Act-Paycheck Protection Program and year end stimulus
- Military specific tax credits, benefits and other resources

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# CPA PREP OR DO IT YOURSELF?

ORGANIZATION IS KEY!

## THINGS TO GATHER FOR YOUR BUSINESS

- Excel spreadsheet of all business income and expenses
- Bank statements for your business expenses (all 12 months)
- Credit card statements (or downloads) for your business expenses (all 12 months)
- Health, dental, vision and accident/disability insurance premiums paid during the year
- Invoices for any asset purchases or disposals made during the year
- 1099s received for business income
- Financial statements from accounting programs-income statement, balance sheet

## HELPFUL ACCOUNTING PROGRAMS

- QuickBooks Online- they have helpful advisors that help along the way
- Zero, Freshbooks- just to name a few others
- Mint and other personal cash management programs

## TAX PROGRAMS

- Turbo Tax
- HR Block
- MILTax system for military personal and veterans

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# BUSINESS SETUP & REQUIRED FORMS

## Three basic business entity types

### -Limited Liability Company (LLC)

- Can be treated as sole proprietorship- Reported on Schedule C on Form 1040 included in your individual income tax return
- Can elect S Corporation status- reported on Form 1120S as a separate return than individual income tax return

### -Limited Liability Partnership (LLP) or General Partnership (GP)

- Reported on Form 1065 as a separate return than individual income tax return

### -C Corporation including Professional Corporations

- Reported on Form 1120 as a separate return than individual income tax return; Can also elect S Corporation tax status

Sole proprietorships where an LLC has not been established are reported on Schedule C on Form 1040 included in your individual income tax return

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# FILING DUE DATES

## LIMITED LIABILITY COMPANIES (LLC)

- If filing as a sole proprietor April 15, 2021 with extension due date October 15, 2021
- If filing as an S Corporation March 15, 2021 with extension due date Sept 15, 2021

## LIMITED LIABILITY PARTNERSHIP (LLC) OR GENERAL PARTNERSHIP (GP)

- March 15, 2021 with extension due date Sept 15, 2021

## C CORPORATION

- April 15, 2021 with extension due date October 15, 2021

## 2021 ESTIMATED TAX PAYMENT DATES

- Final 2020 Q4 estimated tax payment- January 15, 2021
- Q1 2021-April 15, 2021
- Q2 2021-June 15, 2021
- Q3 2021-Sept 15, 2021
- Q4 2021-Jan 15, 2022

## TAX DOCUMENTS

- W2-February 1, 2021
- 1099-any contractors paid more than \$600 during 2020-February 1, 2021

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# 2020 TAX TABLES AND RATES

## SELF EMPLOYMENT TAX

- 12.4% on self employment net income up to \$137,700 of net income
- 2.9% on all of self employment net income
- ½ of this is deductible from your taxable income on your tax return

## INCOME TAX TABLES

SINGLE		MARRIED FILING JOINT	
Taxable Income	Tax Rates	Taxable Income	Tax Rates
\$0-\$9,875	10%	\$0-\$19,750	10%
\$9,876-\$40,125	\$988+12%>\$9,875	\$19,751-\$80,250	\$1,975+12%>\$19,750
\$40,126-\$85,525	\$4,618+22%>\$40,125	\$80,251-\$171,050	\$9,235+22%>\$80,250
\$85,526-\$163,300	\$14,606+24%>\$85,525	\$171,051-\$326,600	\$29,211+24%>\$171,050
\$163,301-\$207,350	\$33,272+32%>\$163,300	\$326,601-\$414,700	\$66,543+32%>\$326,600
\$207,351-\$518,400	\$47,368+35%>\$207,350	\$414,701-\$622,050	\$94,735+35%>\$414,700
\$518,400+	\$156,325+37%>\$518,400	\$622,050+	\$167,308+37%>\$622,050

### Standard Deductions

Single \$12,400

MFJ \$24,800

Social Security wage limit \$137,700

IRA Contribution limit \$6,000+\$1,000 catchup

Roth income phaseout-single \$124,400

Roth income phaseout- MFJ \$196,000

401k Employee \$19,500

401k Employer \$37,500

Max 401k Total \$57,000

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# DEDUCTIBLE EXPENSES

- Direct Expenses- those expenses specifically related to generating profit in your business such as materials, supplies, labor, contractors, staff, infrastructure, etc.
- Home Office- % of home office square footage to total home square footage. Apply this % to utility costs of home-trash, water, natural gas, electric, homeowner's insurance, lawn care, etc. as well as depreciation on home-home value divided by 27.5 years and then % applied for the deduction.
- Mileage expenses or actual vehicle costs- cannot take both. Must choose either mileage or actual costs. Mileage is typically the better deduction.
- Cell phone and home internet- can take up to 80% of these costs but must apply personal use percentage
- Meals- only 50% deductible and must have business purpose (adjusted to 100% temporarily for 2021)
- Self-employed health insurance premiums if applicable (medical, dental, vision, disability)  
Life insurance not included (where it's taken depends on what forms you file)
- Self-employed retirement (SEP/IRA, Solo 401k, etc.) Deduction and where reported depends on what forms you file). 20% of net income less  $\frac{1}{2}$  SE tax or 25% gross wages paid if you pay yourself a W2.
- Startup costs- anything more than \$5,000 must be depreciated and amortized and include travel to check out possible business locations or financing, professional fees for lawyers and accountants (setting up LLC for example), repairs to equipment or buildings, utilities, and market research or pre-opening advertising. All of these are incurred before opening. Can be deducted if already in operations

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# NONDEDUCTIBLE EXPENSES

- Charitable contributions (S Corporations can deduct up to 50% of adjusted gross income and carried forward)
- Demolition expenses or losses
- Dues to business, social, athletic, sporting, airline & hotel clubs (professional dues associated with your specific trade or business are deductible)
- Lobbying expenses
- Penalties and fines you pay to governmental agencies
- Personal, living, and family expenses
- Political contributions
- Repairs that add to the value of your property or significantly increase its life
- Bribes or kickbacks
- Entertainment (used to be 50% deductible but are no longer deductible in most cases)

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# OTHER KEY DATES FOR DEDUCTIONS

## RETIREMENT CONTRIBUTIONS

- SEP IRA- can be made up to April 15, 2021
- Solo 401k- (profit sharing portion) can be made up to April 15, 2021 if filing as a sole proprietor and March 15, 2021 if filing as an S Corp

## HSA CONTRIBUTION MAX

- Can be made up to April 15, 2021

## EDUCATION SAVINGS PLANS

- Most can be made up to April 15, 2021

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# CARES ACT & YEAR END STIMULUS BILL

## CREDITS AVAILABLE (Recovery Rebate Credit)

- Original stimulus payments of \$1,200 per taxpayer (\$2,400 for MFJ) with an additional \$500 per child. Phaseout starts at \$75k (\$112.5 for MFJ).
- \$600 additional refundable tax credit per eligible family member (\$1,200 for MFJ) and also \$600 per qualifying child. Phaseout starts at \$75k (\$112.5 for MFJ).

## CHARITABLE CONTRIBUTIONS

- Additional above the line charitable contribution of \$300 (even you claim the standard deduction.) Increased to \$600 for 2021
- Limitation on qualified contributions change from 60% of AGI to 100% AGI

## TAX DEFERRALS AVAILABLE

- Deferral of self employment taxes on net income earned during 2020. Paid back in 2 installments-by 12.31.2021 and 12.31.2022. Extended to 3.31.21
- OASDI deferrals for W2 employees paid-paid back 12.31.2021 and 12.31.2022

## RETIREMENT ACCOUNTS (now includes money purchase pension plans)

- 10% penalty for early withdrawal waived for COVID related withdrawals and tax spread over 3 year period. Contributions repaid over the 3 years avoids the tax
- Form 8915-E is used to report this distribution on your tax return.

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# CARES ACT & YEAR END STIMULUS BILL

## PPP LOANS

- Expenses used in connection with PPP funds are now deductible with end of year stimulus.

## EMPLOYEE RETENTION TAX CREDITS

- Increase of in credit rate from 50% to 70%
- Increase in limit on wages from \$10k per year to \$10k per quarter
- Reduction in gross receipts decline from 50% to 20%
- New employers operating partially in 2019 now eligible

## YEAR END STIMULUS EXTENDED INTO 2021

- Covered in next week's Reblue

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# MILITARY TAX BENEFITS

## MILTAX: TAX SERVICES FOR THE MILITARY

- Offers free tax prep and filing and other benefits- <https://www.militaryonesource.mil/financial-legal/tax-resource-center/miltax-military-tax-services/>

## VETERAN TAX BENEFITS

- Tax exclusion for VA education benefits received
- Eligibility to claim federal tax refund based on an increase in the Veteran's % of disability from the Dept of Veterans Affairs (can be retroactive) or the combat-disabled Veteran receiving combat related special compensation
- 2017 law do not tax the one –time lump sum disability severance payment received from the Department of Defense for separated veterans who suffer combat related injuries.
- VA Disability pay and benefits are excluded from gross income.

## ACTIVE DUTY/RESERVE MEMBER TAX BENEFITS

- Death benefits exclusions
- Principal residence sale exclusions
- Travel deductions
- Dependent care assistance
- Homeowners assistance program
- Combat zone benefits
- Military academy attendee benefits

More information located on the IRS website- <https://www.irs.gov/individuals/military>

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# ADDITIONAL RESOURCES FOR VETERANS

## *Veterans Business Resource Center*

How much it costs: Free

What it does: The Veterans Business Resource Center is just that – an online center for resources. You can find information about the Boots to Business program, which offers instructional courses and support located online and at military bases. Other resources available through Vetbiz include training, networking events, small business counseling, and even a blog.

## *Bunker Labs*

How much it costs: Free

What it does: With about a dozen locations across the country, Bunker Labs is a veteran-owned hotspot for helpful networking, workshops, and programs designed to help you and the military community. They also offer a community mobile app to stay connected with event calendars, business collaboration, messaging, and more. If you're tired of dusty, government operated organizations, Bunker Labs is perfect for your entrepreneurial style.

## *Entrepreneurship Bootcamp for Veterans*

How much it costs: Free for post 9/11 disabled veterans and families

What it does: The Entrepreneurship Bootcamp for Veterans with disabilities (EBV) is a three-part program designed to help you succeed in starting and running your own business. This immersive bootcamp is focused on training through a higher education setting. Phase one is an online course, phase two is a short residency at a participating EBV university, and phase three is yearlong mentorship and support through the program's mentors, network, and partners.

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# ADDITIONAL RESOURCES FOR VETERANS

## *Veteran's Affairs*

How much it costs: Free

What it does: If you're a vet, you are probably already familiar with Veteran's Affairs. But did you know they have an office dedicated to helping you start and grow your small business. Their Veteran's Entrepreneur Portal offers contracting assistance, workshops, interactive online tools, training, certification as a veteran-owned business, and many more tools and resources for you!

## *Honor, Courage, Commitment*

How much it costs: Free

What it does: Honor, Courage, Commitment (HCC) is a Texas-based, veteran-run organization designed to empower veteran entrepreneurs and keep you connected to the military community even after you've left the service. They offer training and mentoring, workshops and networking opportunities, and reintegration programs through community service. Take a look at what HCC offers and see if they can help you and your small business.

<https://www.opportunityfund.org/5-free-business-tools-for-veterans/>

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# WHAT'S NEXT?

## RUNNING YOUR BUSINESS IN 2021

- Tax master spreadsheet tool

  - Tips for keeping track of your income and expenses on a quarterly basis and paying your quarterly taxes

- Additional credits available from the year end stimulus bill

JOIN US FOR NEXT WEEK'S REBLUE!

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