Client News

**J&J Business Service**, Inc.
BOOKKEEPERS BUSINESS SERVICE CO.
ESTABLISHED 1945
8230 E. Broadway, Suite W-3
Tucson, AZ 85710
(520) 546-8230

**January, 2020** ***Free***

## *W-2 & 1099 time*

It's time to prepare W-2's for employees and 1099's for outside service providers.

Remember that there are penalties for inaccurate information, so check your records for accurate (including spelling):

- Payee first and last names
- Addresses
- Social Security Numbers

If you are missing any information, give a W-9 form to the payee to complete. If in doubt, send a W-9. You can download a printable W-9 form at www.irs.gov/pub/irs-pdf/fw9.pdf, or call our office and we will send one to you.

W-2's and 1099's need to be out to workers by Jan. 31, and also be filed with the government by Jan. 31. During the past year, we have seen penalties imposed for missing or inaccurate forms.

The 1099 forms are required for payments of $600 or more to non-incorporated entities (including LLC's) for rent, interest paid or services rendered.


## Annual sales tax licenses

Most businesses received the bill for the $20 Municipal Tax License fee with the ADOR annual license renewal in mid-December. That fee and the no-cost state license renewal are handled by ADOR. If you need help with the forms, please turn it in with your December work so we can fill it out and send it back.

The City of Tucson's $50 annual business license fee is billed separately and must be paid to the city, not to the state along with state fee. It can be paid by mail, at a city cashier, or online at *tucsonaz.gov/inet.*

## Missing C-notes

Almost $1.5 trillion, mostly US $100 bills, are unaccounted for, Treasury Secretary Steven Mnuchin said recently.

But it's not some huge heist. "Literally, a lot of these $100 bills are sitting in bank vaults all over the world," he explained.

Because of the shaky world economy and negative interest rates in a number of countries, the US dollar is seen as "a safe place to have your money, to invest and to hold your assets."

More $100 bills are in circulation than $1 bills or any other denomination of U.S. currency, according to data from the Federal Reserve. The number of outstanding $100 bills has about doubled since the start of the recession.

The Federal Reserve Bank of Chicago estimates that 80 percent of all $100 bills last year actually were in circulation in foreign countries. There are 7 denominations of U.S. currency: $1, $2, $5, $10, $20, $50 and $100.

## *Social Security for 2020*

-- Maximum earnings taxable for Social Security is $137,700, up from $132,900 in 2019.

-- Early retirees can earn up to $18,240 ($1,520/month) in 2020 without affecting their Social Security benefits. The limit for workers younger than full retirement age was $17,640 in 2019.

— After the 1.6% cost of living adjustment (COLA), the average Social Security recipient's check rose from $1,479 in 2019 to $1,503 in 2020.

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**February, 2020** ***Free***

## Mileage rates drop

The standard mileage rate for business driving declined a half cent for 2020, to 57½¢ from 58¢ in 2019.

Medical mileage dropped 3¢ to 17¢ for 2020. Moving is no longer deductible except for military members.

The rate for driving for charitable purposes is set by law and remains at 14¢.

## IRS provides withholding help

As a result of the 2017 tax reform act, IRS had to overhaul the employee withholding process for 2018. Many workers discovered their withholding was way off from what they needed -- most often meaning they owed when they filed their tax returns.

The IRS has released several tools to help both employers and workers get their withholding right for 2020.

For decades, federal tax withholding was based on allowances, which were loosely tied to the number of personal exemptions claimed on the tax return. With the elimination of personal exemptions for 2018 returns, the withholding calculation had to change.

Employers now have the task of educating workers about figuring their withholding -- as well as understanding the process themselves.

The 2020 Form W-4, Employee's Withholding Certificate, has been completely redesigned. The cumbersome 2019 W-4 has been reduced to a single page for 2020 plus a one-page worksheet for more complex situations.

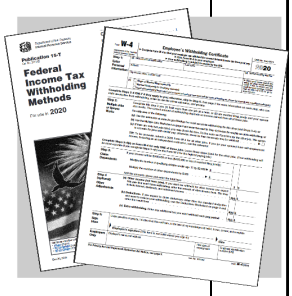
The new withholding process can use either a percentage method or a wage bracket table. The wage bracket works best for employee's whose entire income comes from just one job.

The percentage method essentially takes someone's taxable income from all sources and estimates their tax on that income. Then with the 2020 W-4, employees can tell the company to adjust, either up or down, the amount to be withheld.

Workers who have a W-4 on file from a previous year don't have to file a new W-4 for 2020 unless they want to change their withholding. If the individual doesn't submit a new W-4, the company simply calculates withholding based on the last W-4 filed.

Workers whose tax situations are simple just need to fill in their name and filing status and sign the W-4. The form has three additional sections for people with multiple jobs, dependents, other taxable income and deductions.

IRS has recently released a downloadable Excel spreadsheet, the Income Tax Withholding Assistant for Employers. For employees, there is an online Tax Withholding Estimator.




For more info:

-- Income Tax Withholding Assistant for Employers
*https://www.irs.gov/businesses/small-businesses-self-employed/income-tax-withholding-assistant-for-employers*

-- Tax Withholding Estimator for employees
*https://www.irs.gov/individuals/tax-withholding-estimator*

-- Form W-4, Employee's Withholding Certificate
*https://www.irs.gov/pub/irs-pdf/fw4.pdf*

-- FAQs on the 2020 Form W-4
*https://www.irs.gov/newsroom/faqs-on-the-2020-form-w-4*

-- Publication 15-T (2020), Federal Income Tax Withholding Methods
*https://www.irs.gov/pub/irs-pdf/p15t.pdf*

-- Form A-4, Arizona Withholding Percentage Election
*https://azdor.gov/file/8263/download?token=LcgHgtZu*

-- Form A-4C, Arizona Request for Reduced Withholding to Designate for Tax Credits
*https://azdor.gov/file/8265/download?token=gFmzqLN-*

*(Check our website, bookkeeperstucson.com, for these links so you don't have to type them.)*

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**March, 2020** ***Free***

## SECURE law adds flexibility

The recently passed SECURE Act expands retirement plan options ... and creates one new limitation.

Perhaps the provisions beneficial to the most people are raising the age for required minimum distributions (RMD's) and eliminating the maximum age for contributing to a traditional IRA.

Through 2019, people were required to start taking distributions from their qualified retirement plans such as 401(k) or traditional IRA when they turned age 70½ . Starting with 2020, individuals have until age 72 to start taking RMD's.

The extra year and a half recognizes that many people in their early 70's are still working and may not need to draw from their retirement plans. That time lets them keep their savings intact for later years.


Also previously, a worker could not contribute to a traditional IRA past age 70½. Removing that restriction lets individuals contribute to their IRA's as long as they have earnings -- even after they must start taking RMD's.

The downside to the new law concerns inherited IRA's. Starting this year, beneficiaries who are not spouses of the IRA's original owner must withdraw all of the IRA funds within 10 years. In the past, they could draw RMD's based on their projected lifespans.

No RMD's are required during the 10 years, so a beneficiary of an inherited IRA could wait to take it all in the last year -- which might cause a tax problem that year.

## *Are you 1%?*

It takes an income of at least $515,371 to be among America's top one percent, according to the IRS figures (from 2017 tax returns).

That figure is up $34,567 more than the year before. The IRS says the 1.4 million tax returns in that group accounted for 21 percent of the total income reported on 2017 returns and paid more than 38 percent of the total income taxes collected.

To make it into the top 10 percent, you needed an income of $145,135.

How much does it take to join the top half of American earners? $41,740.

Those in the upper half paid 97 percent of all income taxes while the 71 million Americans with incomes below that paid about three percent .

## Data is future of retail

With major retailers such as Macy's and Sears making near-weekly announcements about closing stores or shutting down altogether, small retailers have to wonder how they can stay afloat.

Data is the key, said Microsoft CEO Satya Nadella recently at the National Retail Federation's conference.

He said that retailers which unequivocally embrace technology will be the winners in the next decade.

"Retail - and retailers - have the most precious asset, which is commercial intent data. What they do with it is going to define retail and their own prospects," Nadella said. He noted that retailers have let others benefit from their data.

He advocates "predictive analytics," pointing to how Starbucks has added technology to its store coffee machines to analyze performance and anticipate future needs of each store.

Admittedly Nadella has a vested interest here, but he suggested that retailers who spend more on advertising than on using their own data are "leaking value."

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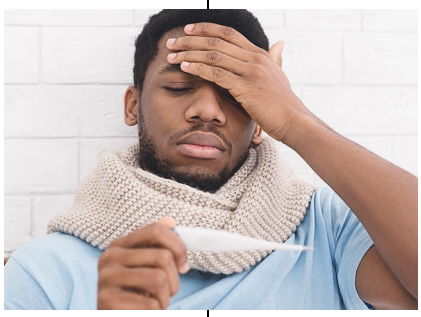
**April, 2020** ***Free***

# Making sense of coronavirus relief

Amidst the extension of IRS and Arizona tax filing deadline to July 15 and congressional activity for an economic stimulus bill, a law passed to provide paid leave for workers primarily in small firms.

The Families First Coronavirus Response Act expands on the Arizona paid sick leave rules that took effect in 2017. Under Arizona rules, workers for Arizona companies accrue an hour of paid sick leave for every 30 hours worked. Among other situations, the Arizona sick leave can be used for "circumstances relating to public health emergency or communicable disease exposure."



Under the new federal policy, employees can take up to 80 hours of paid sick leave at full pay rate for COVID-19 related reasons. They also can take up to 10 weeks of paid child care leave at two-thirds of regular pay to care for someone with coronavirus or when employees' children's schools are closed or child care providers are unavailable.

While many larger employers already offer liberal leave policies, many small firms are not able to afford those benefits.

The new federal law is geared toward small employers, with less than 500 workers. The idea is that companies will continue to pay their employees who must take off for their own health or to care for family members. Those paychecks subsidized entirely by the federal government.

Employers will receive 100% reimbursement for up to 10 days of coronavirus-related paid leave through credits offsetting their payroll tax deposits. Employers are entitled to an additional tax credit for costs to maintain health insurance coverage for employees during the leave period.

If the sick leave credit is less than the payroll taxes required to be deposited, the credit reduces the amount that has to be deposited. If the credit is more than the required deposit, the credit will pay the full deposit and the additional amount will be refunded by the IRS within two weeks.

Self-employed individuals also qualify for the coronavirus paid leave, but it will be a credit on your 2020 income tax next spring.

Companies with less than 50 employees may qualify for an exemption from the child care provisions (but not from the paid sick leave) if the paid child care leave would jeopardize the company's continued existence.

These policies are rapidly evolving, so for the latest information check:

-- IRS: *irs.gov/coronavirus*
-- Arizona Health Services: *azdhs.gov/preparedness/epidemiology-disease-control/infectious-disease-epidemiology/index.php#novel-coronavirus-home*
-- Arizona Industrial Commission: *www.azica.gov/frequently-asked-questions-about-wage-and-earned-paid-sick-time-laws*

## Other items to know

-- IRS has moved the due date for Apr. 15 estimated payments back to July 15 ... but the announcement didn't delay the June 15 estimated payment date so it is still due June 15.
-- Contributions for IRA's and SEP's can be made by July 15 (SEP's by Oct. 15 with extension)
-- Contributions for Arizona credits must be made by Apr. 15.

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May, 2020 *Free*

# Reopening to the new normal

The last few months have certainly been tough for small businesses and for workers. One study says that as many as 24 percent of small businesses may not survive the coronavirus shutdown.

As owners consider how to reopen their businesses, there's more than just having masks and hand sanitizer. Kiplinger, a financial information service, suggests:

- Avoid cutting projects or costs important to future success.
- Identify key workers and have backups ready in case they can't or won't work.
- Communicate regularly and offer plenty of flexibility.
- Watch for workplace misconduct, which can occur when workers are concerned about their jobs.
- Defend against cyberattacks targeting remote workers.
- Check insurance contracts for loss-of-business coverage due to a pandemic or government order.
- Design a new marketing plan emphasizing customer safety, changed hours and virtual services.

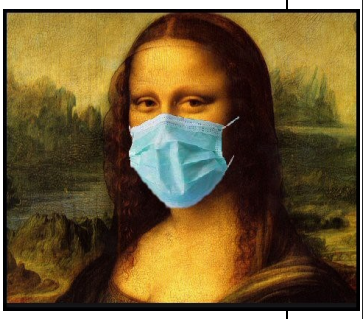
## How spending has changed

Social distancing and stay-at-home orders have changed spending patterns, in some ways perhaps permanently.

Obvious is the boost in online ordering, which is expected to stay strong even after shops reopen. Walmart, Amazon and other online heavy hitters have had surges in sales, while other businesses have seen sales virtually dry up.

The trend for delivery was growing previously. Now that consumers have relied on delivery and curbside pickup, some experts believe they will continue to want that convenience after safety concerns subside.

Home-work balance has been an issue for years. After working from home, some workers will desire even more to work remotely. Others, however, will clamor to get away from family interruptions and return to the workplace. Flexibility in working conditions is likely to gain more importance to employees.



Department stores and some other kinds of brick-and-mortar stores were struggling before coronavirus. With stores closed, shopping in every category other than groceries has been down, according to Earnest Research.

Entertainment has been mixed. While movie theaters, events, toys and similar areas have gone to near zero, music and video streaming has grown and gaming has experienced a 75 percent leap.

Travel and transportation has taken a big hit and streets have emptied, but surprisingly so has spending for healthcare. Gyms, of course are closed, but spending for health care, pharmacies and labs have dropped as well. In staying at home, people have been forgoing doctor visits and hospital procedures.

## *Those EIP checks*

With more than half of the eligible Americans having received their Economic Impact Payments (EIP), research shows how the money is being spent.

Leading is 25 percent for food and groceries, followed by 14 percent for money transfers to family and friends (presumably to pay back loans).

Banking service Current discovered 10 percent went for gasoline, four percent for bills ... and five percent for video games.

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**June, 2020** ***Free***

***Making sense of COVID-19 relief***

# PPP forgiveness

The Paycheck Protection Program (PPP) is designed to keep workers on payroll even though the employer has closed down due to the coronavirus. The Small Business Administration (SBA) approved more than 4.4 million PPP loans totaling more than $511 billion as of May 23. About $138 billion in PPP funds remained available for additional lending.

Any portion of those loan used to maintain payroll, keep workers on the books or pay for rent, mortgage and existing debt could be forgiven, provided workers stay employed through the end of June.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

As a government program, of course the rules can't be simple. The basic idea is that, to qualify for full loan forgiveness, PPP funds must be spent during an eight-week period and that at least 75 percent of the money must go toward payroll costs.

Treasury and the U.S. Small Business Administration (SBA) released 26 pages of new PPP guidance May 22. It clarified some loan forgiveness questions but didn't address either the eight-week period or the 75 percent payroll requirement.

The new guidance says that bonuses and hazard pay are eligible for loan forgiveness, as are salary, wages, and commission payments to furloughed employees. The payments cannot exceed $15,385, the prorated (8/52) portion of a $100,000 annual salary.

For self-employed individuals, including Schedule C filers and general partners, no additional forgiveness is provided for retirement or health insurance contributions.

Borrowers who have laid off employees can restore forgiveness if they rehire employees by June 30 and reverse reductions to salaries and wages for FTE employees by June 30. The guidance reaffirmed rules for when employers can exclude from loan forgiveness calculations employees who refuse to be rehired.

The loan forgiveness isn't automatic. PPP loan recipients must file an application for forgiveness, available for download at https://www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application

PPP loans that aren't forgiven must be paid back within two years at an interest rate of one percent. Loan payments will also be deferred for six months from when loan proceeds are disbursed.

A controversial aspect of the PPP loans concerns payroll or other expenses paid with PPP funds that are forgiven. Those costs will not be deductible on the company's 2020 tax return (although Congress is mentioned changing this procedure).

PPP loan proceeds aren't included in gross income, so provision means PPP funding is a tax-exempt “wash” — PPP expenses are not tax deductible to the extent of tax-exempt PPP income.

As a result, there will be a difference between the wages reported on the company tax return and the total of the W-2's issued (since wages for employees will be taxable whether paid by the employer or the government). The process for reconciling the two hasn't been announced yet, but it is expected that the PPP forgiven wages will appear as an adjustment on the 941 forms.

PPP loans must be applied for through lenders (banks). CARES Act provides for paying a 5 percent fee to assist in applying for the loans. These fees were intended for accountants and lawyers to help businesses pull together the loan documentation.

Instead, these fees have been snatched by the banks. Big banks have been paid more than $10 billion in PPP processing fees so far. Among lawsuits filed over bank PPP fees is a class-action suit against the country's four largest banks.

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July, 2020 Free

# Forgiving?

If you're one of the business owners who got a payroll Protection Program (PPP) loan, you may want to discuss with us whether loan forgiveness is really your best option.

As Congress envisioned the program, it was to loan money to small businesses so they could continue to make payroll for their employees during the shutdown. Originally, the period was for eight weeks, but has been extended to 24 weeks (six months).

If the money is used primarily (60 percent) to pay current employees, then the loan could be forgiven. Of course, the government needs paperwork, so there is an application for forgiveness.

If the loan isn't forgiven, then it converts into a regular SBA loan, payable over five years at one percent per year.

"Why wouldn't I want free money," you ask. Because it might cost you more than taking the five-year loan.

The IRS has taken the position that if the proceeds aren't taxable, then the expenses paid with that money are not deductible. That's the normal IRS rule.

In a backhanded way, those expenses increase your income by not being deducted. Depending on your profit (or net operating loss) picture, that could hurt you come tax time.

Let's say your business manages a $100,000 profit for 2020. You got a $40,000 PPP loan, paid $40,000 worth of payroll and rent with it, and then had the $40,000 forgiven. You have a taxable profit of $100,000.

Suppose instead you skipped forgiveness. Now those $40,000 of expenses (paid with the PPP funds) are tax deductible. Loan proceeds aren't counted as income when received, so you'd still have $100,000 profit but with $40,000 of more expenses against it.

In other words, your taxable profit would only be $60,000. You'd end up paying back that $40,000, but 2020 would have a smaller tax bite. By spreading out that $40,000 over five years with hardly any (tax deductible) interest, the unforgiven loan could give you better cash flow when you most need it.

This approach isn't right for everybody and Congress may decide to override the IRS rule in this case. Forgiveness is still on the table and the rules seem to be changing on a weekly basis. We're here to help you figure out what's best for your business.

## Consumer spending snaps back

After record drops in consumer spending in April, retail sales roared back with a 17.7% increase in May.

As storefronts opened up again, clothing stores led the charge with a 188% jump from April levels. Vehicle sales were up 44%, the only real pent-up demand according to one economist.

Experts say the rebound reflects that the various stimulus programs kept incomes stable for many Americans and they believe the future will be better.

## *Tax filings down*

IRS processed 12.2% fewer returns by mid-June compared to last year. The number of refunds issued also dropped 11.8%.

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**August, 2020** ***Free***

# Unemployment as COVID-19 relief

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides three primary kinds of help for small businesses: Paycheck Protection Program (PPP), Economic Injury Disaster Loans (EIDL) and expanded unemployment.

The $600-per-week unemployment supplement expired at the end of July, although at press time Congress was debating an extension.

Lower-wage workers have been hit particularly hard by coronavirus layoffs. While overall unemployment has topped 28 percent, an estimated 40 percent of workers making less than $40,000 a year have lost work.


An Arizonan receiving the state's maximum $240 a week unemployment benefits plus the additional $600 CARES benefit receives $3,360 per month. That's the equivalent of $43,680 a year -- likely more than they were making while working.

For many lower-wage workers, returning to their jobs while CARES benefits are available may mean a loss in cash flow, just when they are already struggling to make ends meet. Many small businesses are worried about reopening too soon and at the same time worried about losing valuable employees when they do. The extra unemployment means those workers don't have to scrounge for other income and may still be available to come back when the pandemic settles down.

Financial experts warn there could be some downsides to making more not working than working. Number one is for workers who have subsidized health insurance through the healthcare marketplace ("Obamacare"). Since the subsidies are tied to actual income, those people may have a tax bite to pay back some of their subsidies.

A higher income could also reduce other tax credits, such as Earned income Credit, that are based on the "adjusted gross income."

# Not everybody suffers

Unquestionably, the pandemic has stretched many Americans financially. Even millionaires, often owners of small businesses, have seen loss of income and savings.

But one group hasn't done badly: the combined wealth of America's billionaires has jumped by a half trillion dollars since the beginning of the coronavirus outbreak. Research by the Institute for Policy Studies (IPS) found billionaires' net worths have grown by 19 percent in recent months.

Their wealth is often in the stock market and real estate, both of which have continued strong and touched record highs. The brief stock market downturn in mid-March -- dubbed by pundits as "the shortest recession in history" -- recovered within weeks.

That's good news for people who have 401(k)'s and other retirement plans invested in stocks. Indeed, a Bankrate survey found this year stocks have replaced real estate as Americans' favorite long-term investment.

Some stock market experts caution that "fear of missing out" (FOMO for short) is driving the current market heights. Also, many white-collar workers have turned to investing sites like Robinhood during their time at home for entertainment as well as hopes of making money.

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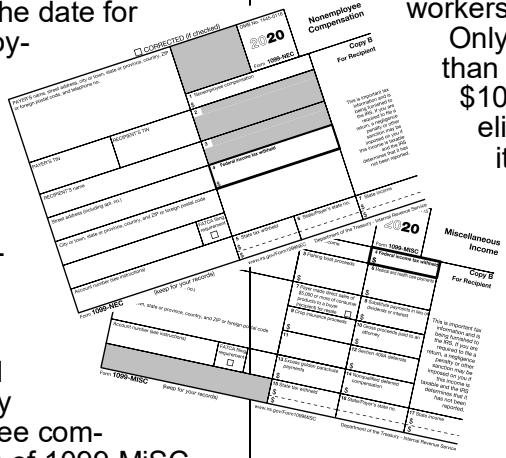
# Retro 1099-NEC

If you know what a Form 1099-NEC is, you have a long memory. IRS stopped using it in 1982 ... until now. The 1099-NEC is doing an encore for 2020.

NEC stands for Non-Employee Compensation. In the past, nonemployee compensation has been reported on 1099-MISC, Box 7.

In 2015, IRS moved up the date for 1099-MISC's for nonemployee compensation. They now have to be issued by Jan. 31, while other kinds of information on 1099-MiSC don't have to be reported until Feb. 28, or Mar. 31 if filed electronically.




Having different due dates for various parts of the same form has caused headaches for IRS, so they are separating nonemployee compensation from other kinds of 1099-MiSC reporting starting with 2020.

The new 1099-NEC has only one box, or two if you count the rarely used space for federal tax withheld.

The updated 1099-MISC will report rents, royalties, payments to attorneys and other income.

# Payroll tax cut ... or not?

In mid-August, President Trump issued an executive action for deferral of payroll taxes for employees. It's only for the rest of this year and has lots of unknowns yet.

The plan calls for employers to stop withholding the 6.2% Social Security tax from workers' paychecks from Sept. 1 through Dec. 31. Only Congress can actually remove taxes, so the president's action merely defers payment of the taxes until next year.

That's a concern to many companies, which worry they will be stuck with paying the taxes in January. Conceivably, employers could at that point take the deferred taxes from their employees' 2021 paychecks, or simply pay the employees' taxes themselves.

As a result, some employers may continue withholding anyway. Critics contend the extra 6.2% will be little help for workers anyway.

Only employees making less than $4,000 biweekly (roughly $100,000 per year) would be eligible for the deferral, and it does not apply to self-employed persons.

The payroll tax is the major source of funding for Social Security, which was slated to run short in 2034. If the deferred taxes end up being forgiven, the Social Security Administration says it will run out within three years and disability funds would be depleted by the middle of next year.

# *Dow revamps*

The Dow Jones Industrial Average (DJIA) restructured at the end of August, replacing Exxon Mobil, Raytheon and Pfizer with Salesforce, Amgen and Honeywell.

The Dow traditionally was composed of heavy industries, but has been shifting more toward technology firms in recent years. The last change was when Walgreens replaced General Electric in 2018.

The Dow index measures stock market performance by tracking 30 blue-chip companies. Although it is the most widely followed index, many stock analysts feel the broader-based S&P 500 and Russell 3000 better represent the economy's health.

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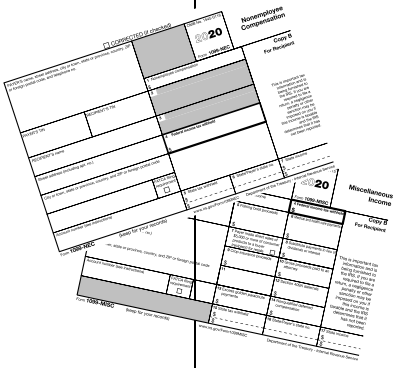


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The payroll tax is the major source of funding for Social Security, which was slated to run short in 2034. If the deferred taxes end up being forgiven, the Social Security Administration says it will run out within three years and disability funds would be depleted by the middle of next year.

# *Dow revamps*

The Dow Jones Industrial Average (DJIA) restructured at the end of August, replacing Exxon Mobil, Raytheon and Pfizer with Salesforce, Amgen and Honeywell.

The Dow traditionally was composed of heavy industries, but has been shifting more toward technology firms in recent years. The last change was when Walgreens replaced General Electric in 2018.

The Dow index measures stock market performance by tracking 30 blue-chip companies. Although it is the most widely followed index, many stock analysts feel the broader-based S&P 500 and Russell 3000 better represent the economy's health.

Client News

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**October, 2020** ***Free***

# IRS finalizes bonus depreciation rules

The IRS issued the last set of regulations for bonus depreciation in late September.

First-year bonus depreciation increased from 50% to 100% due to the 2017 tax reform act. Most business assets with depreciation periods of 20 years or less qualify. Machinery, equipment, computers, appliances and furniture usually are eligible.

Bonus depreciation is not available for real estate (retail and office buildings, residential rentals).

The 2017 law also extended bonus depreciation to some used property. In the past, bonus depreciation only applied to new property.

The assets have to be bought and placed in service between Sept. 28, 2017, and Dec. 31, 2027.

Bonus depreciation may offer some advantages over its cousin, Section 179 expensing. Sec. 179 can't generate a loss while bonus depreciation is deducted at the entity level and may create a loss.

# *New per-diem rates*

In the wake of the pandemic, business travel may occur less often than in the past, and IRS per-diem rates are the same or slightly lower for the coming year.

Per-diem rates may be deducted instead of actual expenses, recognizing that collecting receipts while traveling can be burdensome.

The rate for most U.S. locations is $198 per day for travel between Oct. 1, 2020, and Sept. 30, 2021. Travel to high-cost destinations (Sedona is the only one in Arizona) is allowed $292 a day.

For meals only, the per-diem rates are unchanged at $60 per day, or $71 per day at high-cost destinations.

# Reviving malls

It's old news that numerous major retailers such as Macy's J.C. Penney and Neiman Marcus were heading into bankruptcy even before the pandemic.

Other than retailers' investors, shopping mall owners stand to lose the most by big retailers going broke.

The mall premise since the 1950's has been that the big stores -- anchors -- draw traffic and shoppers also visit the small shops along the mall corridors. Malls can charge premium rents because small stores don't have to advertise as much to get people in the doors.

Now mall owners are facing a double whammy: the empty floorspace of anchor tenants plus the exodus of shoppers who fear the risk of coronavirus in the enclosed spaces of malls.

For several years, mall owners have been boosting the mall experience with play areas, gyms, concerts and other lures to build traffic. But there have to be stores for those people to visit, and space has been emptying out rapidly.

Experts say that about 300 of America's 1,100 malls are in trouble right now. They project half of all malls will disappear in the years ahead.

Simon Property Group, the largest mall operator with $7.1 billion in cash, is taking a different tact: buying up loads of bankrupt retailers, including J.C. Penney, Aeropostale and Forever 21. Obviously, one goal is to keep those stores occupying mall space.

Other mall owners are on shopping sprees as well, snatching up downtrodden retailers at discount prices.

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# Seeking forgiveness

Small Business Administration (SBA) last month issued a third Paycheck Protection Program (PPP) Loan Forgiveness application.

The new Form 3508S is only for those who received $50,000 or less in total loan proceeds. It is a one-page application, plus a second page for demographic details. Instead of showing the calculations for the forgiveness amount as is done on the 3508EZ, business owners simply certify:

-- The dollar amount for requested forgiveness is not more than the amount borrowed.

-- The loan was used to pay costs eligible for forgiveness: payroll costs to retain employees, business mortgage interest payments, business rent or lease payments or business utility payments.

-- The request includes payroll costs of at least 60% of the forgiveness amount.

-- If a 24-week Covered Period applies, the request does not exceed 2½ months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $20,833 per individual.

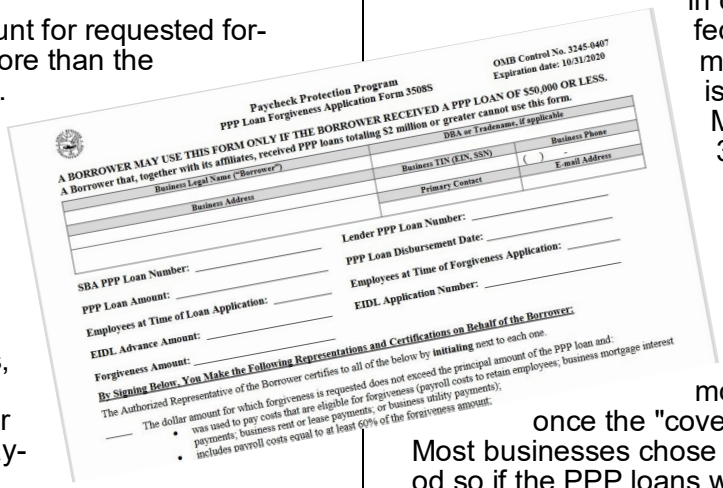
-- If the Borrower elected an 8-week Covered Period, the amount does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $15,385 per individual.

The new form takes out three certifications included in the other request forms:

-- The Borrower did not reduce salaries or hourly wages by more than 25 percent for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between Jan. 1 and Mar. 31, 2020.

-- The Borrower did not reduce the number of employees or the average paid hours of employees between Jan. 1, 2020 and the end of the Covered Period (other than specific exceptions).

-- The Borrower was unable to operate between Feb. 15, 2020, and the end of the Covered Period at the same level of business activity as before Feb. 15, 2020 in compliance with federal requirements or guidance issued between Mar. 1 and Dec. 31, 2020.



Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508S

OMB Control No. 3245-0407
Expiration date: 10/31/2020

A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF $50,000 OR LESS.
A Borrower that, together with its affiliates, received PPP loans totaling $2 million or greater cannot use this form.

| Business Legal Name ("Borrower") | DBA or Tradenames, if applicable | Business Phone |
|---|---|---|
| Business Address | Business TIN (EIN, SSN) | ( ) - |
| | Primary Contact | E-mail Address |

SBA PPP Loan Number: _____
PPP Loan Amount: _____
Employees at Time of Loan Application: _____
EIDL Advance Amount: _____
Forgiveness Amount: _____

Lender PPP Loan Number: _____
PPP Loan Disbursement Date: _____
Employees at Time of Forgiveness Application: _____
EIDL Application Number: _____

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:
The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.
____ The dollar amount for which forgiveness is requested does not exceed the principal amount of the PPP loan and:
- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;

Even with these rules, it still may make sense to wait to apply for forgiveness.

Borrowers have 10 months to apply once the "covered period" ends. Most businesses chose the 24-week period so if the PPP loans were received last spring, they won't need to apply for forgiveness until late 2021.

The interest rate is only 1% on PPP loans, still less that the low commercial lending rates available now. Leaving a $50,000 loan in place for 10 months would be just over $400 in interest while helping the business get back on its feet.

Some experts advise waiting at least a month anyway, to see how the SBA process works and if any problems arise. Many banks have just recently received additional forgiveness guidance from SBA, so they are still ramping up.

The prospect of a new stimulus package may also change the forgiveness provisions, possibly to borrowers' advantage.

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**December, 2020** ***Free***

# *Merry Christmas!*

Our offices will be closed from noon, Thursday, Dec. 24, through Jan. 3 for the holidays. We will open again on Monday, Jan. 4.

The staff of J&J Business Service wish you and your family a most joyful holiday and a bright new year.

## Minimum wage rises

Arizona's minimum wage will increase 15¢ to $12.15 per hour for 2021. Beginning this year, the minimum wage will be adjusted annually to the cost of living index.

For the past four years, Proposition 206 passed by voters in 2016 raised the minimum wage 50¢ to $2 per year to reach the $12 level for 2020. Arizona will have the ninth highest minimum wage nationwide in 2021, tied with Maine.

Flagstaff will raise its minimum wage to $15 from $13 this year.

For any employee who regularly receives tips or gratuities, an employer may pay wages up to $3.00 per hour less than the minimum wage, as long as the employee receives at least the minimum wage for all hours worked each pay period, when tips are added to wages paid.

For more information, visit the state's minimum wage website at https://www.azica.gov/labor-minimum-wage-main-page.

## 401(k) limits stay the same

The maximum contribution to a 401(k) retirement plan will stay at $19,500 next year. The catch-up contribution limit for employees aged 50 and over who participate in these plans will also stay at $6,500.

The maximum contribution to an IRA (either traditional or Roth) is unchanged, at $6,000 plus $1,000 catchup allowance for taxpayers age 50 and older.

The maximum SEP or solo 401(k) contribution will rise to $58,000 in 2021 from $57,000 this year.

## W-2's and 1099's

It's not too early to start gathering W-2 and 1099 information.

Early in January, our office will mail 1099 request forms. The 1099 forms are required for payments of $600 or more to non-incorporated entities (including LLC's) for rent, interest paid or services rendered.


If you are missing any payee information, give a W-9 form to the payee to complete. You can download a W-9 form at www.irs.gov/file_source/pub/irs-pdf/fw9.pdf or call our office and we will send one to you.

Since January also is time to prepare year-end payroll forms, please review your payroll journal to make sure you have accurate (and current) names, addresses and Social Security numbers for all of your workers.

Just a reminder that there are penalties for not filing on time as well as inaccurate information. We have seen several employers hit with penalties this year. W-2's and 1099's forms need to be out to workers by Jan. 31.

Two kinds of 1099 forms will be issued for 2020. Non-Employee Compensation (independent contractors) will be reported on a new Form 1099-NEC, which is due by Jan. 31. All other traditional Form 1099-MISC income types, such as rent, other income, sales for resale over $5,000 and payments to attorneys, will continue to be reported on the Form 1099-MISC.