

# 2020 TAX LAW CHANGES

**Please read these items carefully as they may affect the filing of your 2020 tax return and also have an affect on your organization or corporation**

1. The **social security/medicare** rates remain the same. The maximum earnings subject to social security tax for 2020 is \$137,700; for 2021 is \$142,800.
2. The **IRA contribution limits** are \$6,000 for those under age 50; for those age 50 and over \$7,000.
3. Effective for payments made after 3/27/20 and before 01/01/21, employers can pay the principal or interest of an employee's **qualified education loan** and exclude the benefit from the employee's taxable income.
4. Effective for 2020 up to **\$300 of qualified charitable contributions** are deductible as an above the line deduction without the taxpayer having to itemize their deductions. For taxpayers who itemize, the 60% AGI limitation for cash contributions is increased to 100%. For taxpayers who list the contribution but did not actually make the contribution, the penalty is 50%.
5. In the case of a '**coronavirus related retirement distribution**' made on or after 1/1/20, and before 12/31/20, distributions from the plan are included in taxable income ratably over three years, beginning with the year of distribution; the 10% early withdrawal penalty does not apply. This is for distributions of up to \$100,000.00.
6. Under the CARES Act, no **minimum distribution** is required for calendar year 2020 from an IRA or from an employer-provided qualified retirement plan that is a defined contribution plan.
7. Effective for years beginning after 2019 the age 70 1/2 maximum age limitation for making deductible traditional **IRA contributions** no longer apply. Taxpayers of any age can make deductible contributions.
8. In most cases, individuals who received **PPP Loans** do not have to count the amount as income if all the PPP forgiveness rules apply. This may not be the case for businesses.
9. For the period beginning on 3/ 27/20 and ending before 1/1/21, 50% of the applicable **employment taxes** required to be deposited may be deferred until 12/31/21, and the remaining 50% of the taxes required to be deposited may be deferred until 12/31/22. Self-employed individuals may defer payment of 50% of their Social Security portion of the SE tax until 12/31/21, with the remaining 50% deferred until 12/31/22.
10. For the pay period beginning 4/1/20 and ending 12/31/20, employers with fewer than 500 employees are required to provided employees with up **to 2 weeks of paid sick leave, and up to 10 weeks of paid family leave** if due to fact the employee cannot work because of COVID.
11. The employer is entitled to reimbursement from the federal government equal to **100% of the required paid leave** that is paid to employees. The reimbursement is made in the form of a refundable tax credit against the employer's payroll tax liability. A similar credit is also available for self-employed individuals.
12. For **qualified wages** paid after 3/12/20 and before 1/1/21, employers are allowed a refundable tax credit equal to 50% of qualified wages, including allocable qualified health plan expenses. The

credit is designed to encourage employers to retain their workers when their business operations slow down or are temporarily suspended due to COVID-19.

13. If an employee is required to **work from home** due to the Covid-19 virus, any amounts the employer pays for such as internet upgrades or computer upgrades or increased expenses associated with being quarantined, are not taxable to the employee.
14. A credit is available for **self-employed individuals** who were unable to perform services during the period from 4-1-20 through 12-31-20 as a self-employed individual because the taxpayer had to provide care to a son or daughter under the age of 18 whose school or place of care was closed or who child-care provider was unavailable for reasons related to Covid-19. The credit is up to \$200 per day, limited to 50 days.
15. For 2020 **Form 1040** was revised again and certain items are reported on different line numbers.
16. If a taxpayer did not receive an **economic impact payment** (stimulus), or received less than the full amount, he or she may claim a credit.
17. A **minister** who claims to be exempt from self-employment tax must have filed Form 4361 with the IRS within two years of receiving ministerial income and must have an approved form from the IRS noting approval from self-employment tax.
18. The **standard mileage rate** for business for 2021 is 56 cents per mile. For 2020 the rate is 57.5 cents per mile. The rate in 2021 for medical travel is 17 cents per mile and for charitable purposes is 14 cent per mile.
19. A **Medical Lodging deduction** for a hotel/motel is limited to \$50 per night. Meals are not deductible as a medical expense.
20. **Tuition and fees deductions** has been extended for the 2020 tax year. A paid tax preparer must income a due diligence Form 8867 and attach it to the tax return if the taxpayer utilized the tuition and/or fee deduction or credit.
21. A standard meal and snack rate for **Daycare Providers** has been implemented for those who baby-sit and/or have a daycare.
22. Income received as a **Notary Public** is not subject to self-employment tax.
23. Starting in 2020 Form **1099-NEC** is used to report nonemployee compensation. Previously Form 1099-MISC was used.
24. The **Earned Income Credit** amounts have increase for 2020.
25. The standard **Per Diem Rates** for those who qualify is \$55 per day for Meals and Incidentals and \$96 for lodging for periods 10/01/20 through 09/30/21.
26. The annual exclusion amount for **gifts** is \$15,000 for 2020.
27. For 2021 the **Estate and gift tax** unified credit is \$11,700.00 per person.
28. For **Arkansas** the minimum wage is increased to \$11.00 per hour beginning 1-1-21.
29. **Arkansas** individuals may see an increase in the amount of their paychecks starting 1-1-21 because the change reduces the top personal income tax rate from 6.6% to 5.9%.
30. **Non-profit organizations** need to be aware that certain documents must be included in the corporate policies of the organization. These include "Conflict of Interest Policy", "Document Retention & Destruction Policy", "Discrimination Policy", "Purpose Policy", "Inurement of Income

Statement”, Dissolution Clause”, “Legislative/Political Activities Statement”, and “Operational Limitations Statement” . The IRS has deemed that Non-Profit Organizations, including churches, are not in good standing unless these policies are a part of the organization’s permanent documents.

31. It is necessary that **all taxpayers** list their complete name(s), addresses, social security numbers, and date of birth for the taxpayer, spouse, and all dependents. Certain deductions and credits are not available if the taxpayer fails to include these items. PLEASE USE THE TAX ORGANIZER AVAILABLE TO ALL OUR CLIENTS. Failure to do so could cause certain credits and deductions to be not allowed.
32. For 2021, the exclusion from gross income for income tax purposes is \$107,600 for **foreign earned income** for each taxpayer.
33. U.S. citizens and resident aliens qualify for an **automatic two-month extension** of time to file (to June 15) if the taxpayer is (1) living outside the U.S. and Puerto Rico and the taxpayer’s main place of work is outside the U.S. and Puerto Rico or (2) the taxpayer is in military service on duty outside the U.S. and Puerto Rico.
34. An amended return, **Form 1040X** can now be electronically filed for 2019 and 2020.
35. Please note the changes in the location as to **where to file tax returns**. These have all been changed for the various states and forms.
36. **Most states** required certain Federal tax forms to be included with the State return, such as Schedules C, F, D, E, A, and Forms 1040, 2441, 4797, 4562, 5329, 8283, 8606, 8839, and 8889.
37. **Filing Dates** for all taxpayers/organizations are:
  - Individuals – April 15
  - C Corporations – April 15 for calendar year corporations (March 15 for fiscal year)
  - S Corporations – March 15
  - Partnership – March 15
  - Non-Profit Organizations – May 15
  - Farmers who do not estimate taxes – March 1(Extensions are available for all taxpayer/organizations except Farmers)
38. The **deadline for filing** Forms 1099-NEC is February 1. The deadline for Filing W-2 Forms and Form 941, 940, and 944 is also February 1.
39. If a **Not-for-Profit** organization (not a church as churches are exempt) fails to file an Exempt Tax Return (Form 990) for three years, the IRS will revoke their exemption status.
40. Beginning years after July 1, 2019, **Form 990** (for Not-for-Profit organizations) must be filed electronically. Those filing **Form 990-EZ** can file either a paper form or electronically.