



MUHLENKAMP & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

December 2020
Business Newsletter

TAX PLANNING

There is still time to set up an appointment for year-end tax planning. Please call our office to set up an appointment.

PAYCHECK PROTECTION PROGRAM - PPP

Have you filed your PPP loan forgiveness? If not, the banks are currently accepting forgiveness applications for PPP loans. Please contact us if you need assistance in preparing and submitting the forgiveness form to the bank. The bank will then submit this information to the SBA for final approval of forgiveness on your PPP loan.

RETIREMENT PLANS

We have the ability to set up your businesses retirement plans (401k, Simple IRA, etc.) for employees and owners (partners, shareholders, and self-employed). Do you currently have a retirement plan for your employees? Do you want to set up a retirement plan? Contact us with additional questions.

WEBSITE – PORTAL-www.muhlcpa.com

Contact us to learn more about electronically sending and receiving information securely.

- Ability to scan and send us your tax documents securely.
- Allows Muhlenkamp & Associates to send your copy of the tax return electronically to you.
- Ability to scan and send payroll documents, general ledger, or other documents.
- Ability to upload QuickBooks backups.

QUICKBOOKS

We are available to help you with QuickBooks software to properly install, assist with daily operation, and review transactions to inform you of any corrections, adjustments or reclassifications. We also can provide personalized training. This allows you to efficiently and effectively manage your business and obtain useful and timely information.

FINANCIAL STATEMENT PREPARATION

Could your business benefit from a financial statement? Do you need more guidance regarding business profitability? We can provide them on a monthly, quarterly, semi-annual or annual basis.

PAYROLL

Simplify your business needs by allowing Muhlenkamp & Associates LLC to take care of your payroll processing. Outside preparation of payroll and payroll tax returns allows you to focus on your business operations. Let us keep your business up-to-date with changing regulations and streamline the payroll process.

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- Payroll Check Preparation
- Direct Deposit

215 North Main Street, Celina, Ohio 45822 • (419) 586-6405 • Fax (419) 586-6406
118 North Wayne Street, PO Box 662, Ft. Recovery, Ohio 45846 • (419) 375-1003 • Fax (419) 375-3333

Securities offered through Avantax Investment ServicesSM, Member FINRA, SIPC
Investment Advisory Services offered through Avantax Advisory ServicesSM
Insurance services offered through an Avantax affiliated insurance agency.

- Payroll Tax Return and W-2 Preparation
- Online Tax Payments

FINANCIAL PLANNING

Successful planning is addressing possible aspects of your financial future and keeping it up-to-date as your life changes. Understanding goals and needs comes from a trusted professional relationship with a greater insight into your finances. Through a comprehensive process of discovery, analysis and application, we find solutions to your unique goals and needs through:

- ✓ **Tax Planning**—Are you taking advantage of deduction and credits to be tax-efficient?
- ✓ **Business Planning**—What is the future of your business? Do you have a buy-sell agreement?
- ✓ **Asset Protection and Estate Planning**—Is your hard-earned money safeguarded from pitfalls like long-term care and disability? Do you review your estate plan to ensure what happens to your wealth after you are gone?
- ✓ **Retirement Planning**—Can you retire according to your plan? Do you know how social security works?
- ✓ **Investment Planning**—Is your money diversified and allocated in a way to work for you?
- ✓ **Insurance Planning**—Are your finances protected from the unexpected?
- ✓ **Education Planning**—Do you have an active plan to help your loved ones attain their dreams?

SUBCONTRACTOR VS EMPLOYEE

The IRS has continued to emphasize the importance of correctly identifying when an individual is an employee versus an independent subcontractor utilizing a 20 factor test. Please refer to this test on our website www.muhlcpa.com under Links/Forms to determine if you are following regulations.

DEPRECIATION

The Section 179 expensing of new or used equipment is set to \$1,040,000 for the first \$2,590,000 of acquisitions, at which point the deduction begins to be phased out. The bonus depreciation deduction for both new and used property is 100% for 2018-2022 tax years. Ohio & Indiana still limit first year expensing to \$25,000.

LIKE KIND EXCHANGE

Like kind exchanges are only allowed for real property. All trades of equipment and vehicles will be treated as a sale and corresponding purchase. *We will need trade-in values for any equipment or vehicles traded in 2020.*

MILEAGE RATE

The business mileage rate for 2020 is 57.5 cents per mile. The 2021 rate is not yet released.

DPD-199A – QUALIFIED BUSINESS INCOME DEDUCTION (QBI)

A 20% deduction will be available to most businesses with a profit. There are limitations due to income (\$163,300 for single taxpayers/\$326,600 for married taxpayers) or specified service businesses. This deduction will be available for sole proprietors, partnerships, and S-Corporations.

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OHIO CAT TAX – Commercial Activity Tax

Taxpayers with Ohio gross receipts greater than \$150,000 are subject to the annual Ohio CAT tax. In addition, all taxpayers with gross receipts over \$1 million must file their CAT returns quarterly.

S-CORPORATION NOTES

- All S-Corporations should make sure their owners/officers are receiving a reasonable wage/W-2. “Reasonable” to the IRS means fairly compensated compared to other employees, considering time worked, type of work, and personal skills/knowledge. Normally this wage is higher than wages paid to other employees.
- Any health insurance premiums and health savings account (HSA) contributions paid by the corporation on behalf of a shareholder, with more than 2% ownership of a corporation, need to be reported on the shareholder’s W-2. *We will need this amount prior to completing year-end W-2s.*

SMALL BUSINESS HEALTHCARE OPTIONS (less than 50 full-time equivalent employees)

The past couple years have had an ever changing landscape of healthcare options for employers. Here’s a summary of common options:

OPTION 1-Not required to offer health insurance

OPTION 2-Provide health insurance

- May pay all, none or some
- Cannot discriminate against full-time employees over age 25
- Can utilize Section 125 Cafeteria Plans which offer employees pre-tax options for medical, dependent care, and certain health insurance expenses (there is no dollar limit on premiums although dollar limits do apply to other medical costs). If you do not currently have a Section 125 plan set up and would like more information, contact our office.

OPTION 3-HRA (health reimbursement arrangements)

- Employers can contribute up to \$5,150 for single/\$10,450 for family as a tax free benefit. They can establish which qualified medical items, including insurance premiums, will be offered. It covers full time employees excluding owners and their family members. No other group health, HRA, or excepted benefit may be offered. These arrangements can be established by some local attorneys, insurance agents, or TASC/AgriBiz Plan.

OPTION 4-Individual Coverage HRA (effective 1/1/2020)

- Employers can reimburse health insurance premiums from their own health insurance plan, Marketplace policies, spouse policies or Medicare. The employer establishes the dollar limit and cannot discriminate. The plan allows larger reimbursement to older employees than to younger ones to reflect age related premium differences.

OPTION 5-Excepted Benefit HRA (effective 1/1/2020)

- Employers can reimburse any and all medical costs up to \$1,800 annually per a written plan. The employer can offer insurance but is not required to offer insurance and there is no requirement for the employee to participate.

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