

George H. Herro, CPA, S.C.

W175 N11163 Stonewood Drive
Suite 150
Germantown, WI 53022

p 262 255-2161
f 262 255-9930

www.herrocpa.com

george@herrocpa.com
victor@herrocpa.com
jenny@herrocpa.com
kathy@herrocpa.com
sue@herrocpa.com

Office Hours

Mondays, Tuesdays and Thursdays:
9:00am-4:00pm

Wednesdays:
9:00am-2:00pm

Fridays: Closed

Important Dates to Remember

October 15, 2020

Due date of extended 2019 individual returns

December 31, 2020

Physical inventory to be taken for calendar year businesses

January 15, 2021

Due date of 4th quarter individual estimated income tax payments

FROM GEORGE'S DESK

Hello All:

We hope this finds all of you safe and healthy.

Since COVID-19 hit in March, our lives changed. We all had to adjust to the "new" normal. During this past tax season, we tried to communicate with you through various emails and mailings to alert you of the changing situation as it was happening. We had to quickly change how the tax season flowed, from having staff work from home, suspend in person meetings and develop how to quickly gather, process and deliver your 2019 returns. Thank you for your understanding and patience.

As we navigate through the rest of this year, my words of wisdom are to stay positive and stay healthy. We will get through this together.



THE CARES ACT (Coronavirus Aid, Relief, and Economic Security)

This was the first bill that was enacted on March 27, 2020 to throw an immediate lifeline to businesses and individuals. Was it perfect? No. Did it create a lot of confusion and questions? Yes! And still does! Here are some highlights:

- Sent \$1,200 to each American making \$75,000 a year or less.
- Added \$600/week to unemployment benefits for four months.
- Brought relief for those with federally backed mortgages.
- Delayed student loan payments.
- Changes to retirement plans including but not limited to, a temporary waiver of the required minimum distribution (RMD) rules, providing an extension of time to make minimum required contributions to a single employer defined benefit plan, and the waiver of penalties for early withdrawals from qualified retirement plans.
- Allowing an above-the-line deduction for up to \$300 for 2020 charitable donations.
- Changes made relating to eligibility of high deductible health plans for purposes of health savings accounts.
- Changes made relating to qualified distributions from health savings accounts and Archer medical savings accounts.
- Changes to the classification of qualified improvements property for depreciation purposes.
- Exclusion from income for the cancellation of small business loans.
- The creation of the Paycheck Protection Program (PPP) to help businesses obtain a loan from the SBA.

continued on the next page

- The CARES Act changed rules regarding business net operating loss carryover, carrybacks along with limited deduction for business interest expense.
- Extend the income tax filing deadline out to July 15th along with estimated tax payments for the first and second quarters of 2020.

Some additional points regarding the CARES Act:

1. For those who received the Economic Impact Payment (Stimulus), it is considered an advance credit against 2020 tax. It will **not be taxable** and will not reduce a refund or increase amount due on your 2020 year.
2. For those who received unemployment, be aware that it will **be taxable** and you should plan for the tax impact.
3. Challenging issues are showing up for those taking money from their retirement accounts. There would be no penalty for the withdrawal but there are interesting dynamics about paying it back and the taxation, if any.
4. The PPP Flexibility Act (PPPFA), passed on June 5, amends the PPP to give borrowers more time to spend loan funds and still obtain forgiveness. Borrowers now have 24 weeks to spend loan proceeds, up from eight weeks. The Act also reduces mandatory payroll spending from 75% to 60%. It also has two new exceptions to let borrowers obtain full forgiveness even without fully restoring their workforce. After the 24 weeks, businesses could start the "forgiveness" application with the SBA. FYI, if the PPP loan is forgiven, current tax law states that the forgiven amount is considered taxable to the business! If not forgiven, it will become a loan from the SBA with favorable terms such as the increase to five years from the original two years to pay off the loan.

IMPORTANT FOR 2020

Federal tax levels, limits and other information

- Section 179 expensing of qualified assets purchases in 2020 is at \$1,000,000.
- Auto mileage rates were DECREASED to 57.5 cents per business mile driven.
- Social Security wage base has increased to \$137,700.
- HSA contribution limits is \$3,550 for a self-only plan and \$7,100 for family. For those over 55, the catch-up is a \$1,000.
- Pension plan limitations like a 401(k) has increased to \$19,500.
- Annual gift exclusion remains the same at \$15,000 per donee.
- Once the Pandemic hit, the IRS sent many staff home. Some could not work from home, like the mail department. They are slowly bringing them back and slowly getting around to answering correspondence that has been sent to them through the mail, or processing of amended returns.
- The IRS has started to close some post office boxes that have been used to process payments and return filing. Check with us or IRS.gov to find out new addresses for sending mail.
- The IRS continues to encourage the use of their Direct Pay option to pay a tax bill or estimated taxes.

TAX & FINANCIAL PLANNING FOR 2020

1. All businesses should implement an accountability plan to cover reimbursement to employees when they use their own money to pay for business expenses.
2. All businesses should implement a 'stay at home' work policy. This is new due to more and more people working from home. It should address dos and don'ts for accessing company files, security measures, etc.
3. Do you feel safe at work? Do your employees feel safe at work? Review the state's recommendations on what to do or ask your employer to make changes.
4. We are seeing more and more clients have their Social Security benefits change when their income goes over a certain dollar amount. We are also seeing their Medicare premiums impacted. Contact us to help you get prepared.
5. Year in and year out one of the hot topics that the IRS and state look at is the definition of a subcontractor. The Wisconsin Unemployment Division is a good example. Recently, we have been advised by them that even if you have the sub complete a W-9, sign a subcontractor agreement, and send a 1099 at the end of the year, they could reclassify a sub as an Employee! If this applies to you, let us know so that we can provide more information.

TAX & FINANCIAL PLANNING FOR 2020 *(continued)*

6. If you have your own business, now is a good time to investigate if it makes sense to purchase more equipment or improve technology.
7. Think about the tax impact of financial transactions in 2020. Did you sell any real estate or an investment? Did you start a new business? Are you thinking about exercising some stock options? Will you get a commission or bonus before the end of the year? Did you inherit any money? Any of these moves may have a big tax impact on your taxes.
8. Are you getting married this year or next year? This would be a great time to review beneficiaries of your 401(k) at work, any IRAs you have, your insurance policies and other assets. It would also be a good time to review your W-4, will and power of attorney documents.

WISCONSIN NEWS

- The state is following most all federal tax changes that were included in the CARES Act and the PPPFA, including filing due dates.
- Beginning April 1, 2020 retailers will not have to collect the 0.1% baseball stadium sales and use tax.
- For taxable years starting 2019 and including the 2020 year, the state reduced the individual income tax rates.
- The withholding tax rates will continue at the 2018 levels for 2019 and 2020.
- FYI, Wisconsin does NOT tax unemployment or Social Security benefits.
- The state continues to promote the use of their online tax payment system, "My Tax Account" to pay a tax bill or estimated tax payment.

FIRM NEWS

Here are some things we are currently dealing with due to the COVID-19 pandemic:

- We are still working with clients to pick up their 2019 returns.
- We require anyone entering our office to wear a mask. In addition, we require anyone coming in for a meeting to complete a COVID-19 survey.
- We wipe down all door handles and desks each day.

We are already starting to plan for the 2021 filing season. Due to the COVID-19 pandemic, many of us have a heightened concern for our own personal health and safety. For this reason, we will again **suspend our practice of meeting clients when dropping off tax data**. We are reviewing our processes for the preparation and delivery of your information and returns and will share that with you ASAP.

Here are some other items:

1. Please remember we did close our Post Office Box so please use our new address.
2. We continue to monitor our security plan and update it when needed.
3. A word about our fees. We all like to get paid for our hard work. We are no exception. If you email us a question, or request a meeting or other service from us, we will let you know if there will be a charge.
4. We are now using QuickBooks to process invoices and will email them to you. You will have the option to pay directly through QuickBooks.
5. More and more people are finding us online through Facebook and Google. If you enjoy your experience with us, we would appreciate you sharing your thoughts on social media.
6. If you no longer wish to receive this newsletter, please let Sue know at sue@herrocpa.com.
7. We are accepting new clients and welcome your kind referrals. We truly appreciate your confidence in us.

Do you have a question, concern or comment? Let us know. We enjoy serving you!

MEET THE TEAM
George H. Herro CPA, S.C.



*(L-R) back row: Kay Gross, Jennifer Setterlun, Karen Malliet
(L-R) front row: Sue Kornel, G. Victor Herro, Kathy Schmidt*

GEORGE H. HERRO, CPA, S.C.

W175 N11163 Stonewood Drive
Suite 150
Germantown, WI 53022

Our Mission

*To provide services that help clients
conserve capital and minimize taxes.*