

Volume 2021
Issue 1

The Log: A Werner, O'Meara & Co. Newsletter



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Paycheck Protection Program Second Draw Loans

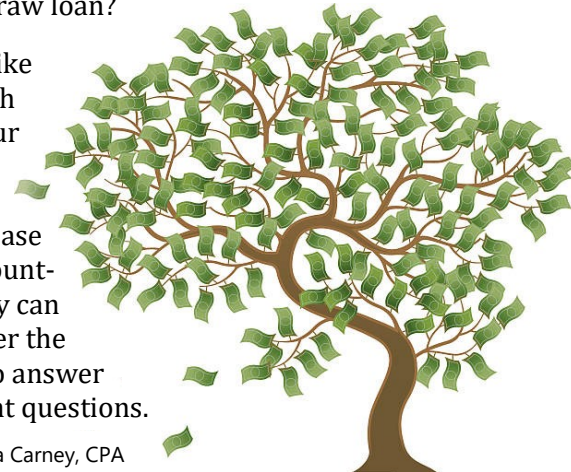
The Paycheck Protection Program got a re-write with the passing of the Taxpayer Certainty and Disaster Tax Relief Act of 2020. The act provides for a second round of Paycheck Protection Program loans. These additional Second Draw PPP loans are available to First Draw PPP loan recipients who have 300 or fewer employees, have experienced a 25% revenue reduction in 2020 relative to 2019, and have or will use the full amount of the First Draw PPP loan eligible expenses on or before the Second Draw PPP loan is disbursed.

In order to assess your particular situation with regard to eligibility for a Second Draw PPP loan we would need to know the following:

1. Did you receive a PPP loan?
2. If you received a PPP loan did you experience a drop in revenue such that your gross receipts were less than 25% of what they were in 2019 for any comparable 2020 calendar quarter?
3. Have you or will you use all of your first PPP loan on eligible expenses before you get a second draw loan?

If you would like assistance with evaluating your eligibility for a PPP second draw loan, please give your accountant a call. They can help you gather the information to answer the assessment questions.

 Barbara Carney, CPA

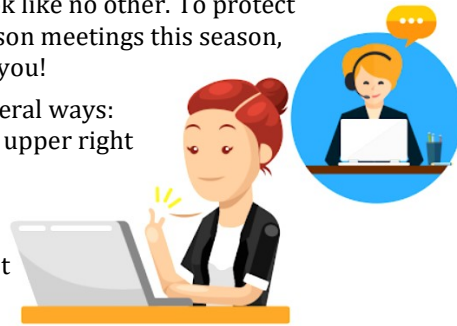


Changes to Our Tax Season Procedures

Due to COVID-19, tax season 2021 will look like no other. To protect everyone's health, we will not hold in-person meetings this season, but we still look forward to working with you!

We can receive your tax documents in several ways:

- Online portal – look for the link in the upper right hand corner of our website at www.werner CPA.com.
- Drop off – hand deliver your tax documents to our friendly receptionist or put them in the new lock box attached to our front door.
- Mail – tried and true. We'll even let you know when we receive it.
- Email – call our front desk for a secure upload link before using this method.



Your CPA will contact you via telephone, Zoom, or email to go over the outcome or request additional information. If you would like to secure a specific time slot, please contact our receptionist to schedule.

Your completed tax return will be sent back to you by the method of your choosing:

- Online Portal – this is the default method.
- Pick up – call our receptionist to let her know when you are coming. Masks required.
- Mail

If you normally receive a paper organizer it has been mailed to you separately. A PDF version of your organizer can also be found in our online portal.

Phone: 425-774-8888 **Fax:** 425-774-4834 **Email:** admin@werner CPA.com

New Form 1099-NEC

2020 was a strange year but it seems it has one more trick up its sleeve. Non-employee compensation formerly reported on Form 1099-Misc in Box 7 will now have its own form: Form 1099-NEC.

Plan to report all **independent contractor pay** greater than \$600 on this new form. Additionally, it has an accelerated due date of January 31.

It is important to note that, if the services were provided for personal reasons such as to install a new fence in your backyard, then you will not need to file a 1099-NEC.

Form 1099-MISC will still be used to report rent, prizes and awards, and other miscellaneous income items. This form is due on February 28.

Nicholas Carney

Required Minimum Distributions

For those of you in retirement, the age at which you must take distributions from your retirement accounts has been increased from 70½ to 72. Required Minimum Distributions (RMDs) are the minimum amounts that a retirement plan account owner must withdraw annually. You must begin payments:

- In the year you turn 72 if you turned 70½ after 12/31/19
- In the year you turn 70½ if you turned 70 before 1/1/20

In the first year you are allowed a grace period to take your distribution until April 1st of the following year. Beware though, there is no grace period for the second payment so you will have two distributions in one year if you use the grace period. Retirement plan participants and IRA owners are responsible for taking the correct amount of distributions on time every year from their accounts. The RMD is normally calculated by your plan administrator however we have the necessary life expectancy tables to help you calculate it yourself.

Remington Rohrer, CPA

Three Martini Lunch Deduction

The recently passed CAA legislation allows business to write off 100% (previously 50%) of food or beverages provided by a restaurant for calendar years 2021 and 2022.

The use of the word "by" (rather than "in") a restaurant makes it clear that the new rule isn't limited to meals eaten on the restaurant's premises. Takeout and delivery meals provided by a restaurant are also fully deductible.

It's important to note that, other than lifting the 50% limit for restaurant meals, the legislation doesn't change the rules for deducting business meals. All the other existing requirements continue to apply. Thus, to be deductible:

- The food and beverages can't be lavish or extravagant under the circumstances.
- You or one of your employees must be present when the food or beverages are served.
- The food or beverages must be provided to you or to a "business associate." This is defined as a current or prospective customer, client, supplier, employee, agent, partner, or professional adviser with whom you could reasonably expect to engage or deal in your business.
- You must have a receipt.



Please let me know if you would like more information about deducting business meals or any other aspects of the new legislation.

Aliina Anton-Erik, CPA/PFS