"Yielding Success Through Financial Management"

Nebraska Farm Business, Inc.

APRIL 2021-
MAY 2021

Important Tax Due Dates

Personal Property Tax Due Date

- May 1, 2021 — If you need help filing your personal property schedule, be sure to contact your consultant.

General Due Dates

- April 15, 2021—C-Corporation Tax Return Deadline
- April 15, 2021—1st Quarter Estimates
- May 17, 2021—IRA/HSA Contribution Deadline
- May 17, 2021—Individual Tax Return Deadline (extended deadline)
- June 15, 2021— 2nd Quarter Individual Estimates
- August 31, 2021 — Heavy Highway Vehicle Use (Form 2290)
- September 15, 2021 — 3rd Quarter Estimates
- January 1, 2022 — 4th Quarter Estimates

Tax Return Extension Due Dates

- September 15, 2021 — Partnerships & S-Corps
- October 15, 2021 — Individual & C-Corps

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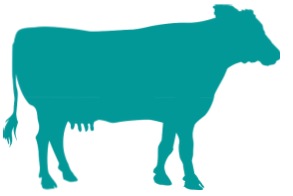
2020 Average Books

NFBI Members, keep an eye out for the 2020 Nebraska State Average Books. Also, if you are enrolled in our analysis program, watch for your operation's RankEm reports. The books and reports are scheduled to be in the mail by mid-May. If you are not a Nebraska Farm Business Member, but you are interested in our average numbers, you can order (for an additional cost) a report via our website (nfbi.net) or you can contact our office at (402) 464-6324.



American Rescue Plan Act of 2021

By: Tina Barrett

The fifth major piece of tax legislation in the past year was signed into law on March 11th, 2021. There are a few things that will affect the 2020 tax return.

Unemployment Compensation

For tax years starting after December 31st, 2019, the first $10,200 of unemployment compensation per taxpayer will not be taxable if the taxpayer's adjusted gross income does not exceed $150,000. This gross income test does include the amount of unemployment compensation. The $150,000 limit is the same for all returns (single, married filing joint, etc.) and there is no phase out, which means that if you get to $150,100 of adjusted gross income, it will all be taxable. If the gross income test is met, both married taxpayers could qualify for an exception of $10,200.

Premium Tax Credit

The Advance Premium Tax Credit for health insurance received through the Exchange increased with this bill for 2021 and 2022. If you have questions on this, it is best to contact your insurance agent. For 2020, they also modified the calculation of the repayment of the premium tax credits.

Typically, we would need to amend your tax return if any of these changes impacted you, and your return had already been filed. However, IRS is saying to not amend, as they are planning to make the corrections when they actually process the returns. This means those individuals who these changes impact might get a refund later on for unemployment income that was taxed, or for any of the premium tax credit that was paid in. If you have any questions on this, please contact your consultant. Most of the changes will only affect your 2021 returns, but you will see the impact of some of them right away.

Recovery Rebates to Individuals

A third stimulus payment of $1,400 per person will be paid, starting in March of 2021. Unlike the first two, these payments will be for each dependent rather than each child, which means that any dependent (even those over the age of 17) will be eligible for $1,400. The income eligibility also was reduced over the first two programs. The initial cutoff will still be $75,000 per individual or $150,000 per couple but instead of phasing out over $24,000 ($48,000 MFJ), if you make more than $80,000 ($160,000 MFJ), you will not receive any payments.

IRS will use your last filed tax return (2019 or 2020) to determine your eligibility of the payment. If you have not filed your 2020 return yet but it would result in a larger payment than 2019 (lower income, additional dependents, etc.), they will send the additional amount yet this year if the returns are filed before September 1st, 2021. If your 2020 return would result in a lower amount, you can hold your Form 8879 until you received your payment. We are not allowed by law to hold the form for you. You may see the credit as a direct deposit, check or debit card.

This again is an advance payment of a credit on your 2021 return, so if your 2021 tax return would yield a larger payment, then we can claim the additional amount on that tax return. This means you could get this payment in three separate amounts if the details worked just right. Just like last year, we will need to know how much you received to prepare your 2021 tax return.

American Rescue Plan Act of 2021 (cont.)

Child Tax Credit

For the 2021 year only, they have increased the Child Tax Credit for some taxpayers.

- They changed the qualified age of a child from under 17 to under 18, so if you have a child turning 17 in 2021, you will get an extra year of credit for them.
- If you have a child under the age of 6, the Child Tax Credit will be $3,600 (was $2,000) per child.
- If your child is age 6 – 17, then you will receive $3,000 (was $2,000) per child.
- The first $2,000 per child retains the Adjusted Gross Income Limitations of $400,000 (MFJ) or $200,000 (Single).
- The additional $1,000 (or $1,600 for children under 6) will be subject to a phase out of $150,000 (MFJ) or $75,000 (Single).
- The credit will be fully refundable in 2021 (some of it has been limited to tax due in the past).

If that is not confusing enough, they have also implemented an advance payment of 50% of the Child Tax Credit. Starting in July (and ending December 31st, 2021), eligible taxpayers will receive electronic payments (if applicable) each month. The monthly payments will be 50% of your expected credit divided by 12. This, like the Recovery Rebates, will have to be reconciled on the 2021 tax return. If you receive too much, you will be required to pay it back unless you fall into the safe-harbor standards. The safe harbor for MFJ returns is $60,000 ($40,000 for single filers). If your income is less than this, you are only required to pay back a maximum of $2,000 per child.

The IRS has been charged with setting up an online portal where you can:

- Elect out of the advance payments.
- Report a change in dependents (births, deaths, etc.)
- Report a change in marital status.
- Report a significant change in income.

If your estimated taxes or withholdings are set up with the assumption that you will receive the Child Tax Credit on your income tax return, these advance credits could cause you to have a significant amount due on your tax return and may be potentially subject to underpayment penalties.

Earned Income Credit

For 2021, there is a significant expansion of the Earned Income Credit. They lowered the qualifying age to age 19 (students do not qualify) unless you are a qualified former foster youth or a qualified homeless youth, then the age is 18. They also eliminated the maximum age (which has been age 65). This really means that we need to evaluate more returns that maybe would not have had a filing requirement in 2021 but would now be eligible for this credit.

Child and Dependent Care Credit

They expanded the amount eligible for the dependent care credit for the 2021 year. Previously we could only claim the first $3,000 per person for day care and a max of $6,000 per return. For 2021, those will be raised to $8,000 per person and $16,000 per return.

Credit for Paid Sick and Family Leave

The credit for wages paid to employees (or equivalent for Self-Employed) was extended through September 30th, 2021. If you paid your employees to stay home due to COVID related issues, you are eligible for a credit on their wages. This is received on Form 941 or 943. The Self-Employed portion would be a credit on your 2021 return.

American Rescue Plan Act of 2021 (cont.)

Employee Retention Credit

This was part of the original CARES Act (March 2020) and the eligibility was expanded through the Consolidated Appropriations Act (CAA) (December 2020). The ARPA extended the covered periods to include all of 2021.

In general, the credit provides up to 70% of the wages paid to an unrelated employee (limited to $7,000 per quarter per employee) if your Gross Receipts for the calendar quarter fell below 80% of the same calendar quarter for 2019. In other words, if your gross receipts for January – March of 2021 are less than 80% of your total receipts for January – March of 2019, you may be eligible. If you qualify in one quarter, you also automatically qualify for the following quarter.

If your gross receipts are less than 10% of the same quarter of 2019, you are considered to be a "severely financially distressed employer" and there are special rules which includes using "all wages." We need a lot more clarification on this to know exactly what this is going to mean. If you think you will qualify, let us know.

The Employee Retention Credit is claimed on the Form 941 or 943. Since the Form 943 is filed on an annual basis, there is an option to file Form 7200 and get the credit advanced before filing the employee tax forms.

The calculations for this credit are complex and the documentation of the information needed is time consuming. This is especially true if you took a PPP loan as you cannot use the same wages for the PPP loan and the ERC credit. We will need to coordinate both the forgiveness of the PPP loan and the ERC to maximize both. In general, it will be best to consider the following for forgiveness:

- Use a 24-week forgiveness period. This gives us the most flexibility for maximizing both.
- Be sure to ask for forgiveness on as much of the non-payroll costs as possible (40% of your loan) so be sure to pay rent, interest, and utilities during your 24-week period.
- The ERC will come first so if you apply for this credit, you won't be able to use the same wages for PPP forgiveness. It will be best to maximize PPP first as it is 100% of the wages paid and it is tax free (the ERC credit will reduce the deductibility of wages paid).

If you think you will qualify for this and want our help in filing the Form 7200, we would like to know as early as this summer so we can do the work when we have a little more time than in January. We will still have to do some of the work then if you qualify in the 3rd or 4th quarter but any work we can get done early will be very beneficial. It will also mean you will have the increased cash flow of having the credit early. Employers who qualify in the 4th quarter of 2020 or in the 1st quarter of 2021 are eligible to file the Form 7200 as early as April.

2021 Changes from the Consolidated Appropriations Act (CAA) (December 2020)

The CARES Act gave us a $300 per return above the line deduction for cash Charitable Contributions. This means we could deduct $300 without itemizing. For 2021, this will be increased to $300 per taxpayer or $600 for a married filing joint (MFJ) return.

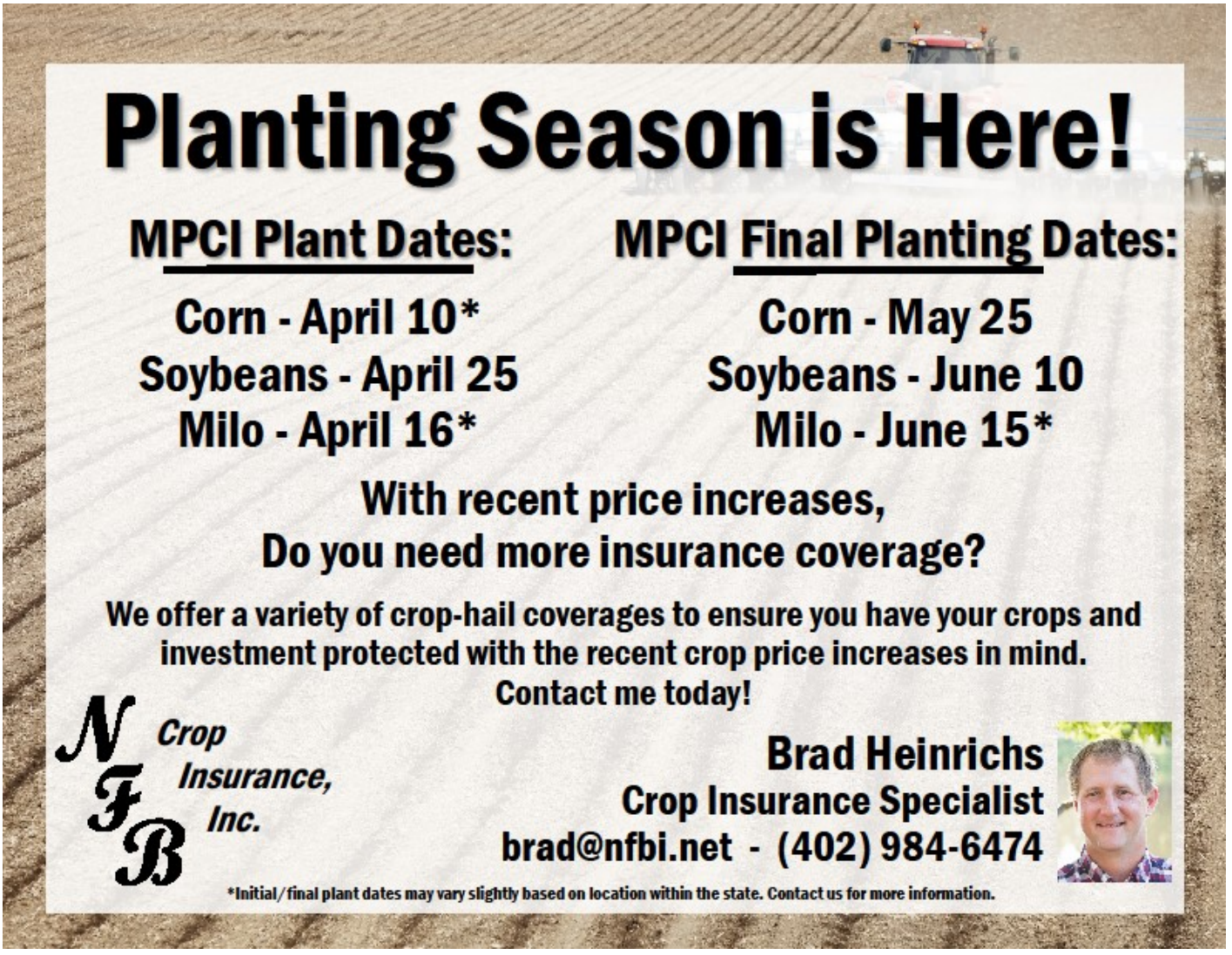
The CARES Act also allowed for charitable contributions in cash to be deducted up to 100% of Adjusted Gross Income (it was previously 60%). This was extended through 2021 with the CAA. Essentially this means if you were planning a large charitable gift, this would be a good year for the deduction.

As with all the legislation passed, we still have a lot to learn and need to wait for guidance from IRS to really understand how some of these things will be implemented. For now, it is important if the first two items impact your 2020 return, soon the PPP/ERC interplay will be important. The rest will continue to play out as we go through 2021. Stay tuned to our website, Facebook, and future newsletters for more information.

Good Farmer to Great Manager

Good Farmer to Great Manager Part 2 goes more in depth about working to understand the information provided in a financial analysis. If you participate in this class, we ***highly*** encourage you to have an analysis done. The class will be more beneficial if you have YOUR ratios, YOUR breakeven calculations, and all of YOUR data. Your personal information will not be shared, but it will be helpful for you to have access to it as we compare averages, etc.

Keep your eyes peeled for more information in following publications.



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Important Office Dates

The Nebraska Farm Business office will be closing at 12:00 PM on Friday, April 16th.

The office will also be closed on Monday, May 31st, in observance of Memorial Day.

Have a wonderful spring!