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2021 Tax Season Newsletter

CORONAVIRUS, COVID-19, QUARANTINE, PANDEMIC, TRAVEL BAN, SHUTDOWN, LOCKDOWN, WORK FROM HOME, SOCIAL DISTANCING, VIRTUAL LEARNING, FACE COVERING, ETC., ETC., ETC.



I am a Star Trek fan, and couldn't resist sharing. But really, I hope everyone is maintaining a positive outlook as we all wait for this pandemic to be over, for the sickness and deaths to stop, for our lives to return to "normal." I know many have experienced hardship and loss this year, and we are sorry for that. We are here to help with tax matters, notary services, and in any other way we can.

WHAT WE ARE DOING. As an essential Maine business preparing tax returns and providing payroll services, we are open. We'll limit clients to just one at a time, so please call ahead for an appointment. If you do just stop by and someone is already here, you can leave your paperwork, and we will call you to interview over the phone. If you do not wish to come in, we can meet you in the parking lot to receive your paperwork, and call you later if we need to review it with you. You may also mail, email or fax to us. We can make similar arrangements at signing time. In the office, we have set customer chairs back from our desks to maintain social distancing. We have hand sanitizer, gloves and masks available should you need them (thank you Lincoln Town Office).

From a sign I saw hanging on a wall somewhere. "A fine is a tax for doing wrong. A tax is a fine for doing well."

A REFERRAL is one of the best things you could do for us! Tell your family and friends about us today.

PPP LOANS. If you received a PPP loan for your business, many banks have started taking forgiveness applications. You may want to delay requesting forgiveness pending more favorable rules and applications. As it stands now, if your loan is forgiven, the forgiven amount is not taxable by the IRS as forgiven debt. Since it is tax free income upon forgiveness, per the current federal rules, no expenses paid with this money are allowed to be deducted. You cannot take a business deduction for expenses paid with federally tax-free income. BUT Maine doesn't go along with this. You must add back to Maine the tax-free federal income resulting from a forgiven PPP loan, but you can then take the expenses that had been disallowed by the IRS federally. If by 12/31 it is not forgiven, it is still a loan. Loans are never income. You do not add it to income. Because it is not yet income, either taxable or tax free, but is still a loan, you DO take the expenses paid by the loan in 2020. This is not an issue to be resolved until the date of forgiveness. At that time the loan goes away, is replaced by tax free income, and an adjustment for expenses paid in 2020 with tax free income must be made. If you have a PPP loan, forgiven or not, you may want to extend your due date to see if any more changes are made and avoid having to amend.

DID YOU OWE THE IRS LAST YEAR? Update your W-4 with your employer so you won't owe next year. The IRS advises taxpayers to use the Tax Withholding Estimator tool to check their withholding and help with completing the W-4. Here's the link. irs.gov/individuals/tax-withholding-estimator. If we do your taxes, you may also see us outside of tax prep season for a withholding review.

WE ARE MEMBERS of the National Association of Tax Professionals (and ME chapter), National Society of Tax Professionals, National Association of Enrolled Agents (and ME chapter), National Society of Accountants (and ME chapter), National Institute of Professional Bookkeepers, Lincoln Lakes Region Chamber of Commerce, and the Lincoln Business Referral Group.

VISIT OUR FACEBOOK and internet pages at facebook.com/BarkerBusinessServices and barkertax.com. Please "LIKE" and "FOLLOW" us and give us a positive review while you are there.

IN ORDER TO STAY CURRENT and better serve our clients, we attend many hours of tax training each year. This year's training consisted of a virtual 1 day Tax Practitioner Institute, virtual 2 day Maine Tax Forum, and a virtual 2 day Maine Association of Professional Accountants "Gear Up" tax seminar, as well as many telephone forums and webinars hosted by various agencies and associations throughout the year. These training events cover many facets of Federal and Maine tax law as well as current changes.

Helping Take the Bite out of Taxes!

IMPORTANT FILING DATES.

All dates are for calendar year filers.

2/1/2021	W-2 and 1099-NEC due date
3/15/2021	1065 & 1120-S due date.
4/15/2021	1040, 1120 & 1041 due date.
5/17/2021	Non-Profit 990N due date.
6/1/20201	ME Annual Rpt. Due (Corp & LLC)
9/15/2021	Extended 1065 & 1120-S due date.
10/1/2021	Extended 1041 due date.
10/15/2021	Extended 1040 & 1120 due date.

WHAT IF I GET AN EXTENSION? It is important to know that it is only an extension for time to file. You must estimate the amount of tax you will owe and pay it before the original due date to avoid late payment penalties. If you are on extension, and file your tax returns after the extended due date, late filing penalties and interest can be assessed back to the original due date, as if you did not have an extension.

To keep the penalties for failure to file and late filing at bay, file your tax returns (forms) on time, even if you cannot pay with the return, and plan to pay later.

MILITARY RETIREES & SOCIAL SECURITY recipients will receive a 1.3% cost of living adjustment in 2021. This is down from last year's 1.6% increase.

ORGANIZE NOW. If you would like us to send you a tax organizer to help you get ready for tax time, call us at 794-8563, or email us at brucejr@barkertax.com.

RETURNS WE PREPARE include 1040 personal income tax returns, sole proprietor returns, landlord and rental income returns, farm returns, partnership returns, corporate income tax returns, and also amended returns, prior year returns, and extensions of time to file.

ECONOMIC IMPACT PAYMENT also known as the **STIMULUS PAYMENT**. What is it? It is an advance payment of a 2020 income tax credit. Is it taxable? No, it is not taxable. Since it was an advance payment, you may have additional credit due to you if the advance was smaller than it should have been. Keep the notice you received regarding this payment and give it to us with your tax paperwork so we can reconcile your credit when we prepare your taxes. Providing an incorrect amount could cause a data mismatch at the IRS and delay your return. If you were given too little, you will get the balance as an adjustment to your 2020 income tax, and if you were paid too much, you will not have to pay it back. It will not be an adjustment to your 2020 taxes if you were overpaid the credit in advance.

WE PROVIDE PAYROLL SERVICES. You give us your employee hours worked each period and we'll prepare your signed or unsigned payroll checks, employee direct deposits, or detailed pay-stubs for you to attach your own check to. We can accommodate all calculations and deductions such as tips, child support, and retirement plan withholding, as well as vacation and sick time accrual if needed. We prepare all quarterly and year-end payroll tax returns as well as 1099NEC forms for payments to independent contractors.

Q. What's the difference between death and taxes?

A. Congress doesn't meet every year to make death worse.

Believe it or not, **TAX DAY** is once again April 15th unless it is changed due to the pandemic again. It is not affected by Patriot's Day or Emancipation Day in 2021.

CONTACTING US. Call the business phone at 794-8563, and leave a message on the machine if no one answers. Email Bruce Barker Jr at brucejr@barkertax.com or call or text at 290-1293. Bruce Barker Sr may be emailed at brucesr@barkertax.com or called or texted at 290-4126. If it's a payroll related matter, email payroll@barkertax.com. You are important to us and we don't want to miss your call, text or message. We do return all calls and will get back to you!

BUSINESS AUTO DEDUCTION is always a hot topic. To deduct either the actual costs or take standard mileage the business owner must have a written record to substantiate the deduction. A perfect record will show the date of the trip, business purpose, start and stop odometer readings, total miles of the trip, and the Jan 1st and Dec 31st odometer readings. This is all that's needed for the standard mileage deduction. To take actual expenses all the above is required as well as all receipts for all fuel, repairs, taxes and registrations, insurance as well as date and purchase price of the vehicle. The business miles divided into the total miles will then establish the percentage of actual costs that are deductible.

TAX FRAUD REPORTING. If you suspect or know of an individual or company that is not complying with the tax laws, you may report this activity by completing Form 3949-A (available at irs.gov). File Form 211 to receive a reward if applicable. Maine tax violations can be reported at maine.gov/revenue/taxes/compliance/tax-violation-hotline, or by email to mrs.taxtip@maine.gov, or by calling 207-624-9600. You can remain anonymous.

DIRECT DEPOSIT AND DIRECT DEBIT. Early on in the pandemic IRS employees were sent home. As processes and procedures were put together, the mail to the IRS was warehoused. This resulted in many checks to the IRS for taxes due being uncashed. You can use direct deposit for refunds and direct debit for amounts due to avoid delayed or lost mail. If you use direct debit you can choose the date of payment up to the due date, normally April 15th for a 1040 amount due.

“HELP, I RECEIVED A NOTICE from the IRS.” If this happens to you, call us immediately. We want to assist you in all correspondence with the IRS or Maine Revenue.

Barker Business Services, 211 Enfield Rd, Lincoln, ME 04457



A **REFERRAL** is one of the best things you could do for us! Please recommend us to your friends and family.

Helping Take the Bite out of Taxes!