



JANUARY 2021 EXECUTIVE TAX TOPICS DISCUSSION OUTLINE

- I. Navigating tax rate change risk.
 - a. Select a 2020/2021 timing strategy for business earnings.
 - i. *Strategy One:* Accelerate income in 2020 to hedge against early enactment of Biden Tax Proposals. (see expanded outline)
 - ii. *Strategy Two:* Cash is King. Minimize tax in 2020 even if tax rates increase in 2021/2022.
 - iii. *Strategy Three:* Cash is good. Stay the course and watch. Intentionally file tax returns near the extended due dates (Sept 15 to Oct 15) to monitor 2021 tax legislation. Pay in at extension time (March 15 to April 15) based on high tax option under consideration.
 - b. 2020 to 2021 year end tool kit:
 - i. Bonus or 179 depreciation.
 - ii. De-minimis elections on 2020 acquisitions.
 - iii. Changes in tax accounting methods timing.
 - iv. Payment timing of deferred employer payroll taxes.
 - v. Loss carrybacks and carryover decisions, if any.
 - c. 2021 Transactional planning
 - i. Timing decisions for capital gains. 2021 or 2022 beyond.
 - ii. Timing decisions for gifts. 2021 or 2022 beyond.
 - iii. What is your general approach? Do you prefer the certainty of the here and now (play it safe) or do you prefer to wager the uncertainty of the future and unknown (win or lose)?
 - d. Structural planning changes best deferred until more certainty to timing of future federal tax legislation.
 - i. Entity design: C vs. S corp. vs. LLC. Single or multiple entities.
 - ii. Owners: Single or multiple family members.
 - e. Business losses. (See expanded outline)
- II. Business PPP Loans and Forgiveness
 - a. PPP loan forgiveness not taxable, PPP expenses are deductible and IRS may not preclude an increase in tax basis.
 - b. PPP loan forgiveness reporting generally on 2020 tax returns even if forgiveness not received or applied for until 2021. Exception for loans in excess of \$2MM subject to SBA examination.
 - c. SBA loan payment subsidies are not taxable, no deductions precluded, and IRS may not preclude an increase in tax basis.
 - d. Similar provisions extend to PPP Second Draw loans.

- III. Business Employment Tax Incentives (See expanded outline)
 - a. 2020 Employee Retention Tax Credit
 - i. Headliner: PPP loan recipient are now retroactively eligible
 - b. 2021 Employee Retention Tax Credit
 - i. Headliner: Expanded taxpayer eligibility for Q1 and Q2, 2021.
 - c. 2020 FFCRA Tax Credits for mandated paid sick leave and family leave.
 - d. 2021 FFCRA Tax Credits. Extended through March 31, 2021.
 - e. 2020 Deferred Employer Payroll Taxes. PPP loan recipients were eligible.
 - i. Headliner: Repayment timing tax strategies for accrual taxpayers.
 - f. 2020 Employee Deferred FICA Taxes. Modifications to Executive Order.
- IV. First Draw PPP Loan Modifications; Create Second Draw PPP Loans for 2021 (see expanded outline)
- V. Real Estate Operators and Tax Partnerships
 - a. New IRS compliance burden for all partnerships: K-1 Capital Account Reporting
 - b. Operating agreement changes for CPAR; OR elections required for CPAR.
 - c. Growing CPAR complexities for taxpayer administrative changes (fka, filing amended tax returns)
 - d. Growing CPAR complexities in event of government tax examination changes.
 - e. Risk of 2021 federal tax legislation targeted at real estate sector.
 - f. Portland/Multnomah county residential unit tax applies.
- VI. SBA Debt Relief Programs and Other Government Grants
 - a. Beginning Feb. 1, three month P+I payment subsidies for SBA 7A and 504 loans initiated prior to Cares Act. Resumption of subsidies for loans beginning during the Cares Act. Monthly subsidy payment cap = \$9K.
 - b. Hard hit sector 7A and 504 borrowers receive an additional five month subsidy.
 - c. Six month subsidy for new SBA 7A and 504 loans.
 - d. Lender and borrower fee waivers for new SBA 7A and 504 loans.
 - e. Grants for Shuttered Venue Operators. S324 of Economic Aid Act.
- VII. Estate and Gift Tax Strategies (see expanded outline)
- VIII. Retirement Plans
 - a. Plan amendments, SECURE Act and CARES Act. Please discuss with your TPA.
- IX. Oregon Wildfire Disaster Relief provisions for business/personal casualties.
- X. The Bum Out Report: Continuing Escalation of State and Local Income Tax (see expanded outline)