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It is safe to say that 2020 has been a year like no other. We wanted to send a communication to let you know of a few tax related items that are unusual for the 2020 tax year. We hope everyone is staying safe and are thankful you chose us for your tax and accounting needs.

Individuals

Stimulus Checks

One good surprise of 2020 was the issuance of Economic Impact Payments (stimulus checks) throughout the year. Married couples with combined income of less than \$198,000 and single individuals with income less than \$99,000 were eligible to receive a stimulus check of \$1,200 per person (with phase-outs for higher income levels). These were direct deposited/mailed throughout the year. These stimulus checks are **not taxable** on your 2020 tax return; however, we must reconcile the payment received on your 2020 tax return. We will need the amount of your stimulus payment received and if possible, the Notice 1444 that was mailed to you from the IRS. If for some reason you didn't receive a stimulus check during the year; you will be able to apply it to your 2020 tax return (if you qualify).

\$300 Charitable Contribution Deduction

The CARES Act now allows a \$300 charitable donation for taxpayers who do not itemize. This is beneficial for taxpayers who have previously been taking the standard deduction. You will need to retain documentation of at least \$300 of charitable donations you made in 2020 to turn in with your other tax documentation.

Retirement

- The CARES Act suspended all Required Minimum Distributions for the 2020 year.
- If you have suffered a COVID-19 related challenge you can withdraw up to \$100,000 penalty free from your retirement account. These funds are still subject to income tax, but the 10% penalty is waived. Income tax will be paid on the funds withdrawn over the next three years.

W-4

If you have started a new job during 2020 and completed a W-4 you may have noticed that the 2020 W-4s look completely different than prior year W-4. There is no longer a place to claim "allowances" on the new 2020 W-4. We have found that the new W-4s are very accurate if filled out correctly; but reduce the chances of large refunds with your tax return. Be aware that your year-end tax refund may change when you update to the new W-4.

Liscio

As a reminder, we are transitioning to using Liscio, a secure data sharing website/app, to send any electronic communication with clients. We take cyber security very seriously and email is not a very secure method to send tax documents. Any tax returns we send will be through Liscio and Liscio can be used to sign your tax return if you want to sign remotely. Through the app on your phone, you can take pictures of any documents you need and safely send the image to us. If you do not already have an account – contact our office to get an invitation.

Businesses

Payroll Tax Credits

If you paid a W-2 employee wages while they were quarantined or caring for someone quarantined, you are entitled to a payroll tax credit for up to 80 hours of said wages. If you have not already given us this information, please contact us and we can help you file your quarterly payroll returns and claim this credit.

If you are a sole proprietor (this means you file a Schedule C with your personal return and do not issue yourself a W-2), you are eligible for a credit of up to 10 days of your 2019 profit. You will claim this with your 2020 tax return; be sure to document any time you were quarantined or caring for someone who was quarantined and let us know when you bring your information in for your 2020 tax return.

PPP & Other Government Stimulus

As of right now most business stimulus payouts are going to be included in taxable income. Expenses paid with a PPP loan are not deductible, which in essence makes the PPP loan taxable to you. Be sure to factor this in when you are looking over your 2020 income/profit.

1099-NEC

For the 2020 year there is a new form to report Non-Employee Compensation (when you pay an individual, LLC, or partnership \$600 or more for services during the tax year). This information was previously reported on a 1099-MISC. All lawyers, doctors, or veterinarians paid more than \$600 must receive a 1099-MISC, even if they are incorporated. Some common payments that require a 1099-NEC to be prepared are janitorial work, labor for repairs & maintenance, lawn care, rent, or any other services provided to your business. It is important to note that individuals are not required to send a 1099-NEC for personal payments, only businesses are required to issue 1099s.

1099-NEC are due to the government on January 31st. This means we MUST have your 1099 information by January 22, 2021, so we can meet the filing deadlines. We need the names, addresses, tax ID number, & amounts of \$600 or more paid to any individuals for service during the 2020 Calendar year. If we do your monthly bookkeeping, we will have this information and contact you for any social security numbers/addresses we may need. We expect more scrutiny with the new form; we recommend you issue any required 1099s to avoid penalties.

Thank you again for letting us assist with your tax & accounting services. Like everything else this year tax laws & legislation are constantly changing, we expect another stimulus bill to pass this year or next which may change tax laws. We will be sure to keep you informed if anything changes. If you have any questions about the information listed above, please call us at 912-283-8889.