



January 15, 2021

Dear Friends,

Happy New Year and welcome to the 2021 tax season! What a year for the history books! We are so glad to put 2020 behind us and focus on all that 2021 has to offer each one of us. While last year brought us the CARES Act, with individual economic impact payments, extended unemployment benefits and payroll protection programs, this year starts with a bang with the signing of the Consolidated Appropriations Act (CAA), 2021.

In this letter, we will provide some highlights of the CAA, share with you exciting changes at our Firm, and provide due dates and other information related to this year's tax processing.

Consolidated Appropriations Act (CAA), 2021

Signed into law on December 27, 2020, the Consolidated Appropriations Act (CAA), 2021 includes several extensions of popular provisions of earlier COVID relief and stimulus acts passed in 2020. This includes additional loans under the Paycheck Protection Program (PPP) (including the allowance of a second round of loans for certain small businesses), expansion of federal unemployment assistance (providing \$300 a week in unemployment payments), and additional Recovery Rebate payments to individuals.

Individual Provisions

- ***New Recovery Rebate (Economic Impact Payments):*** Commonly referred to as a “stimulus payment”, two separate Economic Impact Payments were issued; one in 2020 and then another in the beginning of 2021. The second payments, issued in 2021, are issued to eligible individuals in the amount of \$600 per taxpayer (\$1,200 for married filing jointly) in addition to \$600 per qualifying child. The credit phases out starting at \$75,000 of modified adjusted gross income (\$150,000 for married filing jointly), at a rate of \$5 per \$100 of additional income. **These payments are an advance of a refundable recovery rebate tax credit that is available on your 2020 return.**
- ***Certain Charitable Contributions Deductible by Non-Itemizers:*** For 2020 and 2021, individuals who normally do not itemize deductions may take up to a \$300 above-the-line deduction (\$600 for married filing jointly) for cash contributions to qualified charitable organizations.
- ***“Floor” on Medical Expense Deductions:*** The Act makes permanent the 7.50%-of-adjusted-gross-income threshold on medical expense deductions, which was to have increased to 10% of adjusted gross income after 2020. This lower threshold will allow more taxpayers to take the medical expense deduction in 2021 and later years.

Business Provisions

- ***Cancellation of Indebtedness Income as It Relates to The Paycheck Protection Program (PPP) Loans:*** The reduction or cancellation of indebtedness generally results in cancellation of debt income. However, the **forgiveness of PPP debt is excluded from gross income.**
- ***Deductibility of Expenses Paid by Paycheck Protection Program (PPP) Loans:*** The CAA, 2021 says that **expenses paid from the proceeds of a PPP loan are deductible.**
- ***Paycheck Protection Program (PPP) Second Draw Loans:*** The CAA, 2021 permits certain smaller businesses who received an initial PPP loan AND experienced a 25% reduction in gross receipts in the 1st, 2nd, or 3rd quarter of 2020, relative to the same 2019 quarter, may take a PPP Second Draw Loan.
- ***Deductibility of Business Meals:*** In general, the ordinary and necessary food and beverage expenses of operating your business are deductible. However, the deduction is limited to 50% of the otherwise allowable expense. For 2021 and 2022, the new legislation adds an exception to the 50% limit, for expenses for food or beverages provided by a restaurant, and it allows a full (100%) deduction.

This year, there is also a **new Form 1099-NEC for Non-Employee Compensation Reporting**. Payments previously reported in Box 7 on Form 1099-MISC are now reported in Box 1 of the new Form 1099-NEC (Nonemployee Compensation). This includes payments made for services during your trade or business, performed by someone who is not your employee, and totaling at least \$600 for the year. The due date to file Form 1099-NEC with the IRS, either on paper or electronically, is February 1, 2021. Payments previously reported in other boxes on Form 1099-MISC (such as rents & royalties) are still reported on that form, although the form has been redesigned and box numbers may be different. The due date to file Form 1099-MISC with the IRS is March 1, 2021 if filed on paper, and March 31, 2021 if filed electronically.

For more information about the CAA, please visit the COVID-19 News section of our website at www.bepcocpa.com/covid-19-news or subscribe to our monthly newsletter and other information at the bottom of our website home page.

2021 Tax Season Deadlines

Each year, as we approach the end of tax season, we receive a staggering amount of tax returns to process. While we make a concerted effort to accommodate all clients, we find it nearly impossible to accommodate everyone if information is not received timely. Please understand that we will make every effort to complete every tax return; however, **we cannot make guarantees for returns received after the date in the middle column of the table below. Therefore, information received AFTER the deadline will be an automatic extension.**

Note: There are no extensions of time to file W-2s or 1099s.

| Type of Return | Deadline to Provide Tax Information to BEPCO For Timely Filing | Federal Tax Filing Deadline For Calendar Year Ends |
|----------------|--|--|
| W-2 | January 22 | February 1 |
| 1099-NEC | January 22 | February 1 |
| 1099-MISC | February 1 | March 1 (paper) |
| | | March 31 (electronically) |
| S-Corporation | February 15 | March 15 |
| Partnership | February 15 | March 15 |
| Corporation | March 15 | April 15 |
| Trust | March 15 | April 15 |
| Individual | March 15 | April 15 |
| Non-Profit | April 16 | May 17 |

How to Provide Your Information

We continue to see an increase in the number of clients sending their tax information to us through any of our secure deliver methods. The table below summarizes all delivery methods available to you:

| Delivery Method | Where to Deliver | Notes |
|------------------------------|--|---|
| Drop Off | Bryan or Navasota Office | You may drop off your tax information, with our Office Managers, at either location |
| In Person (with appointment) | Bryan or Navasota Office | Contact either location to setup an appointment |
| Portal | www.bepcocpa.com | Please contact Patty Whitney (pwhitney@bepcocpa.com) for more information |
| | "Client Portal" | |
| Secure Email | To your tax preparer | Contact your tax preparer to initiate a secure email |

The Firm continues to encourage use of our **Client Portal** as a way of securely sending and receiving confidential documents. If you do not have a Client Portal already, please contact our office. All we need is an email address to get you setup.

Office Information

Bryan Office

111 E. 27th Street, Bryan, TX 77803
Phone: (979) 268-1350 Fax: (979) 268-1560

Navasota Office

217 E. Washington St., Navasota, TX 77868
Phone: (936) 825-6507 Fax: (936) 825-6508

Normal Business Hours: Monday – Friday, 8:00am – 5:00pm

Saturday Hours: 8:30am – 12:00pm for the following Saturdays for our Bryan and Navasota offices:

- March 6th
- March 13th
- March 20th
- March 27th
- April 3rd
- April 10th

Franklin, Texas

Pridgeon Center
351 Cooks Ln, Franklin, TX 77856

Hours: 10am – 3pm **Tuesdays ONLY**, February 9th through March 16th
10am – 1pm **Tuesdays ONLY**, March 23rd through April 6th

Enhanced Payment Options

The Firm continues to provide easy options for payment of invoices. On our website, www.bepcocpa.com, in the top right-hand corner of our home page, you will find the “Make A Payment” button. When you click on this button you will now be able to:

1. Pay online with a check
2. Pay online with a credit card
3. Set up a payment plan for balances that are \$1,500 or greater

As always, you can also make payment in either of our offices by check or credit card.

Navasota Office Remodel

Last, but certainly not least, we are very excited about the current remodeling happening in our Navasota office. We expect to be in the new space in February, so please stop by and take a tour of our new office!

We are excited for this upcoming tax season and as always, we are grateful for your business and appreciate your online reviews and referrals. For more information, please visit us at www.bepcocpa.com.

Sincerely,
The Staff at Brewer, Eyeington, Patout & Co., LLP