

Addendum: Part 1: Individual CARES Updates

Revision 1.1

Incarcerated individual's economic stimulus payment.

Page 1

Incarcerated individuals are now eligible to receive the economic stimulus payment.

Dependent over age 17 in 2019 allowed the economic stimulus credit.

Page 2

If a child cannot be claimed as dependent in 2020, they are eligible for \$1,200 credit. They did not receive the advance because they were dependents in 2018 or 2019.

Date of revision: 11/11/2020

Married filing separately (MFS) and the above-the-line \$300 charitable contribution deduction.

Page 3

If a married couple elects to file MFS they are each allowed up to \$150 charitable above-the-line deduction according to the 2020 Form 1040 draft instructions. Please see 2020 Form 1040 final instructions before filing.

Date of revision: 1/04/2021

Above-the-line charitable deduction allowed to one qualified charity.

Page 3

The \$300 above-the-line charitable deduction can be made to one qualified charity or to multiple qualified charities.

Date of revision: 11/11/2020

Revision 1.2

Federal student loan payment relief period updated.

Page 5

On Dec. 4, 2020 the period of suspension was extended through Jan. 31, 2021.

Date of revision: 12/07/2020

Revision 1.3

Another round of recovery rebate payments to eligible individuals

Page 6

A \$600 stimulus check will be sent per eligible family member. Taxpayers earning less than \$75,000 modified AGI (\$112,500 HH, \$150,000 MFJ) qualify and the amount phases out at a rate of \$5 per \$100 of additional income.

The Consolidated Appropriations Act, 2021 fixed an issue in the CARES Act where if a couple filed a joint return but only one member had an SSN both members were ineligible for a stimulus payment. The provision now allows each member of a family that has a SSN to receive their stimulus payment regardless of the SSN status of the remaining members of the family. Additionally, this provision is retroactive where they can receive both stimulus payments that were authorized in 2020.

Above-the-line charitable deduction extended.

Page 7

Extends the above-the-line charitable deduction for non-itemizers through 2021. Married couples filing jointly are eligible for a \$600 deduction, others are limited to \$300.

Suspension of AGI limitations

Page 9

The CARES Act raised the maximum deduction for cash gifts to 100% of the taxpayer's AGI. This suspended AGI limitations was extended through 2021

Unemployment insurance benefits extended.

Page 11

The \$300 for unemployment benefits was extended until March 14, 2021.

Expiring Tax Provisions Chart.

Pages 26-33

The Expiring Tax Provisions Chart was updated for the new expiration dates. See Expiring Tax Provisions Supplement.

REEP credit reduce percentage period extended.

Page 33

The credit is in effect through 2023, at a reduced rate of 26% for 2020-2022 and 22% for 2023.

Educator's classroom expenses expanded.

Page 58

Personal protective equipment and other COVID-19 prevention supply expenses are now eligible for the \$250 educator's classroom expense. This provision is retroactive back to March 12, 2020.

American opportunity tax credit (AOTC) and the lifetime learning credit (LLC) will have the same phase out limitations

Page 59

The different phaseout rules for the AOTC and LLC will now be a single phaseout range, effective for tax years beginning after Dec. 31, 2020. The prior AOTC phaseout range of \$80,000-\$90,000 (\$160,000-\$180,000, MFJ) remains for both the AOTC and LLC.

Date of revision: 12/22/2020

Addendum: Part 2: SECURE & CARES Impact on Retirement Accounts, Case Review

Revision 1.1

The draft form and instructions for 8915-E is available as of November 9, 2020

Page 147

Date of revision: 11/16/2020

Revision 1.2

The IRS link to the draft form can be found at <https://www.irs.gov/pub/irs-dft/f8915e--dft.pdf>.

Page 147

Date of revision: 11/18/2020

Revision 1.3

A coronavirus- related distribution is any distribution from an eligible retirement plan made on or after Jan.1,2020, and before Dec. 31,2020 to a qualified individual.

Page 144

Date of revision: 11/18/2020

Revision 1.4

As stated above, the 10-year rule for distributions to nonspousal beneficiaries will not apply to a binding qualified annuity contract that is in effect as of Dec. 20, 2019, when the SECURE Act was enacted.

Page 134

Date of revision: 12/08/2020

Revision 1.5

The COVID-Related Tax Relief Act of 2020 (COVIDTRA) added money purchase pension plans as a plan type from which participants can take a coronavirus related distribution. The provision is retroactive to the passage of the CARES Act and expires Dec. 30,2020.

Page 145

Date of revision: 12/31/2020

Addendum: Part 3: PPP and Other Small Business Loans Updates

Revision 1.1

[SBA Procedural Notice 5000-20057](#) addresses what happens when a business has an EIDL or PPP loan and then changes ownership.

Page 190

Date of revision: 11/13/2020

Revision 1.2

Exceptions to PPP loan eligibility updated.

Page 167

Previously, the Paycheck Protection Program excluded businesses if a loan applicant with 20 percent or more ownership of the company was in jail, on probation, on parole, under indictment or was convicted of a felony. Owners under arraignment or who pleaded guilty or no contest were also ineligible to participate in the program.

The Small Business Administration amended its ruling. So long as the probation or parole did not take place in the last five years, business owners can receive aid through the PPP. Felons are still disqualified however, owners with pending misdemeanors are eligible to receive loans.

Forgiven reduction of expenses updated.

Page 174

IRS issued guidance regarding Deducting Expenses Paid with PPP Loan. According to Rev. Rul. 2020-27, businesses that receive PPP loans in 2020 may not deduct expenses paid with the loan funds, if they “reasonably expect” the loan to be forgiven in 2021. The revenue ruling also provides guidance if, as of the end of the 2020, the PPP loan participant has not applied for forgiveness, but intends to apply in the next taxable year.

Conversely, Rev. Proc. 2020-51 provides that if a business did not deduct expenses in 2020, and some, or all, of the loan that was expected to be forgiven, is not in fact forgiven, they may either deduct the expenses on an amended 2020 return or deduct the eligible expenses on their 2021 return if they qualify for the safe harbor.

Date of revision: 11/19/2020

Revision 1.3

Payroll Protection Program Loan.

Page 163

Congress is currently working on additional legislation to expand the program. That will be discussed later.

After months of uncertainty, Congress has finally delivered relief to the many small businesses still reeling from the impacts of the pandemic. In total, small businesses relief programs, through the U.S. Small Business Administration (SBA) would see an infusion of \$325 billion, including \$284 billion for the Paycheck Protection Program (PPP), \$20 billion for businesses in low-income communities and \$15 billion for struggling live venues, movie theaters and museums. To get the relief out into the economy as quickly as possible, Congress has placed a statutory mandate on the SBA to complete the regulatory process to effectively implement the new provisions within 10 days of enactment. The clock begins on December 21, 2020.

PPP Loans (timeline)

Page 164

12/21/2020 – PPP2 loan program reopen and run through 3/31/ 2021

Criteria to Apply:

PPP2 loans will be available to first-time qualified borrowers and, for the first time, to businesses that previously received a PPP loan. Specifically, previous PPP recipients may apply for another loan of up to \$2 million, provided they:

- Have 300 or fewer employees.
- Have used or will use the full amount of their first PPP loan.
- Can show a 25% gross revenue decline in the first, second, or third quarter of 2020 relative to the same 2019 quarter. Applications submitted on or after Jan. 1, 2021 are eligible to utilize the gross receipts from the fourth quarter of 2020.

Page 167

PPP2 also makes the forgivable loans available to §501(c)(6) business leagues, such as chambers of commerce, visitors' bureaus, etc., and "destination marketing organizations" (as defined in the act), provided they have 300 or fewer employees and do not receive more than 15% of receipts from lobbying. The lobbying activities must comprise no more than 15% of the organization's total activities and have cost no more than \$1 million during the most recent tax year that ended prior to Feb. 15, 2020.

Exceptions to PPP2 loan eligibility

- Portfolio companies of private equity funds are ineligible
- Publicly traded companies ineligible for the new loans
- Receiving a grant under the new Shuttered Venues Operators program also makes a business ineligible for PPP2

Loan Uses

170

The newly eligible additional expenses are also eligible for forgiveness under a PPP2 Loan:

- Operations expenditures: Payment for any software, cloud computing, and other human resources and accounting needs.
- Property damage costs: Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
- Supplier costs: Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
- Worker protection: Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent State and local guidance related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration.

Simplified Forgiveness

Page 171

The new law creates a simplified forgiveness application process for loans of \$150,000 or less.

- A borrower shall receive forgiveness if a borrower signs and submits to the lender a certification that is not more than one page in length, includes a description of the number of employees the borrower was able to retain because of the covered loan, the estimated total amount of the loan spent on payroll costs, and the total loan amount.
- The borrower must also attest that the borrower accurately provided the required certification and complied with Paycheck Protection Program loan requirements.
- The SBA must establish this form within 24 days of enactment and may not require additional materials unless necessary to substantiate revenue loss requirements or satisfy relevant statutory or regulatory requirements.
- Additionally, borrowers are required to retain relevant records related to employment for four years and other records for three years. The Administrator may review and audit these loans to ensure against fraud.
- At the discretion of the borrower, the borrower may complete and submit demographic information for all PPP loans.

Page 173

Note: There is a discussion about all the PPP loans being forgiven regardless of the use of the funds, but at this point in time this issue has not been finalized.

Update: Rev. Proc. 2020-51 provides relief for taxpayers that fail to claim deductions for operating expenses incurred during a year in which the taxpayer had a PPP loan outstanding, if the forgiveness of part or all of such loan is subsequently denied. A taxpayer that is eligible for the relief may be able to deduct some or all of the eligible expenses on (1) the taxpayer's timely filed, including extensions, original income tax return or information return, as applicable, for the 2020 taxable year; (2) an amended return or an administrative adjustment request (Code section 6227) for the 2020 taxable year, as applicable; or (3) the taxpayer's timely filed, including extensions, original income tax return or information return, as applicable, for the subsequent taxable year.

Forgiven – reduction of expenses

Page 174

Note: Currently, there are rebuttals to Notice 2020-32 that can be found on-line. At this time the IRS has not taken a stand on these and Notice 2020-32 has not been modified.

Note: The Small Business Expense Protection Act of 2020, introduced on May 5, 2020, amends the IRS's decision to disallow the related business expense deductions and makes them deductible. However, there currently is significant push-back and the bill has not yet been passed. However, this could change so, hope for deductibility is not entirely lost yet.

Update: Congress has passed a new COVID-19 relief bill, which was signed into law by President Trump. It clarifies the taxability of PPP loan forgiveness and the deductibility of related expenses.

In the original CARES Act, Congress specified that any PPP loan forgiveness amounts should not be considered taxable income. The IRS subsequently issued related guidance under Notice 2020-32, Rev. Rul. 2020-27 and Rev. Proc. 2020-51. This guidance indicated that no deduction would be allowed under the Internal Revenue Code for an otherwise deductible expense if the payment of the expense was essentially made from non-taxable revenue sources. So, while the income was not taxable, the related expenses were not deductible.

This new bill specifies that business expenses paid with forgiven PPP loans should be tax-deductible, which resolves the disagreement between the original congressional intent of the CARES Act and the IRS's position. The new legislation clarifies this matter further by stating that "no deductions shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion for gross income." This change means that the expenses are deductible, and the previously issued IRS guidance is inapplicable and will be revoked.

The new legislation addresses the deductibility of expenses and provides clarification for flow-through entities by allowing PPP forgiveness to increase basis.

Reporting

Page 175

Unfortunately, Notice 2020-32, does not give any guidance on how to report the PPP forgiven loan proceeds on the company's books and records or the tax return.

Update: The [Consolidated Appropriations Act, 2021](#) (CAA 2021), H.R. 133, signed into law on Dec. 27, 2020, provides that deductions are allowed for otherwise deductible expenses paid with the proceeds of a Paycheck Protection Program (PPP) loan that is forgiven and that the tax basis and other attributes of the borrower's assets will not be reduced as a result of the loan forgiveness.

EIDL Advance (grant)

Page 182

The EIDL advance is deducted from the total EIDL loan the taxpayer is eligible for.

Update: The EIDL advance to be deducted from the total EIDL loan was repealed. The EIDL advance, up to \$10,000, is not subtracted from the forgiveness amount of the PPP loan received.

Reporting and taxation

Page 183

Currently there is no guidance indicating the advance is considered tax-exempt income like the forgiven PPP loan.

Update: The new legislation clarifies that EIDL advances that are not required to be repaid similarly do not give rise to gross income or the denial of deductions for the recipients of such EIDL advances.

Bankruptcy

Page 185

The [Consolidated Appropriations Act, 2021](#) (CAA 2021), H.R. 133 included temporary alterations to the bankruptcy code to help those affected by COVID-19. Some of the temporary alterations include:

- The bill amends the Bankruptcy Code to allow debtors to seek bankruptcy court authorization to obtain a PPP loan on an expedited schedule.
- The bill voids contractual provisions and applicable non-bankruptcy law that prohibit a debtor from incurring additional debt with respect to PPP loans.
- PPP loans obtained after a bankruptcy filing are entitled to administrative payment priority.
- Administrative claims typically must be paid in full promptly following confirmation of a plan under Chapter 11 of the Bankruptcy Code. However, the bill allows small business debtors under new subchapter V of Chapter 11, family farmers and fishermen under Chapter 12, and individuals filing Chapter 13 plans to repay the loans over time according to the terms of the loan.
- The bill prohibits lenders from discriminating against debtors in bankruptcy when making PPP loans.
- Recovery rebates are excluded from property of the bankruptcy estate.
- Chapter 13 debtors may obtain a discharge on a residential mortgage at the conclusion of their plan, even if they missed up to three mortgage payments (provided the missed payments were caused by the COVID-19 crisis).

Page 186

Employee Retention Tax Credit and Integration with PPP: The law extends and expands the ERTC, originally created through the CARES Act. Beginning on Jan. 1, 2021 and through June 30, 2021, the new law:

- Increases the credit from 50% to 70% of qualified wages.
- Expands eligibility for the credit by reducing the required year-over-year gross receipts decline from 50% to 20% and provides a safe harbor allowing employers to use prior quarter gross receipts to determine eligibility.
- Increases the limit on per-employee creditable wages from \$10,000 for the year to \$10,000 for each quarter. Increases the 100-employee delineation for determining the relevant qualified wage base to employers with 500 or fewer employees.
- Removes the 30-day wage limitation, allowing employers to, for example, claim the credit for bonus pay to essential workers.

- Allows businesses with 500 or fewer employees to advance the credit at any point during the quarter based on wages paid in the same quarter in a previous year.
- Provides for a small business public awareness campaign regarding availability of the credit to be conducted by the Secretary of the Treasury in coordination with the Administrator of the Small Business Administration.
- Provides that employers who receive Paycheck Protection Program (PPP) loans may still qualify for the ERTC with respect to wages that are not paid for with forgiven PPP proceeds.
- The law also provides a separate tax credit for 40% of wages (up to \$6,000 per employee) paid by a disaster-affected employer to a qualified employee (employer's place of business must reside in an area which received a Presidential Disaster Declaration). The credit applies to wages paid without regard to whether services associated with those wages were performed. Certain tax-exempt entities are provided the option to claim the credit against payroll taxes.
- Deferred payroll taxes

On Aug. 8, 2020, the President of the United States issued a memorandum to allow employers to defer withholding employees' share of social security taxes from Sept. 1, 2020 through Dec. 31, 2020 and required employers to increase withholding and pay the deferred amounts ratably from wages and compensation paid between Jan. 1, 2021 and April 31, 2021. The new law extends the repayment period through Dec. 31, 2021. Penalties and interest on deferred unpaid tax liability will not begin to accrue until Jan. 1, 2022.

- 501(c)(6) organizations are now eligible to receive a PPP1 loan, if:
 - The organization does not receive more than 15% of receipts from lobbying;
 - The lobbying activities do not comprise more than 15% of activities;
 - The cost of lobbying activities of the organization did not exceed \$1,000,000 during the most recent tax year that ended prior to Feb. 15, 2020; and
 - The organization has 300 or fewer employees.

Pages 186-188

Current Legislation

Content Removed

Helpful Links

Page 189

Removed: Heroes Act of 10/01/2020

Added: Consolidated Appropriations Act, 2021

Open Questions

Page 190

Content Removed

Date of revision: 12/30/2020

Addendum: Part 4: Business Updates

Revision 1.1

The following changes reflect changes made by the *Consolidated Appropriations Act* (CAA).

Page 193

Educational assistance program

The CAA extended the provision that educational assistance includes student loan payments for five years through 2025.

This provision is subject to the overall \$5,250 maximum exclusion limit and only applies to payments made after March 27, 2020 and **before Jan. 1, 2026**.

Page 194

Employee retention credit

The CAA extended the employee retention credit (ERC) through June 30, 2021. It also expanded the ERC to 70% of qualified wages paid on or after Jan. 1, 2021 through June 30, 2021 for each employee **for each calendar quarter**. For 2020, the ERC is only 50% of qualified wages for each employee **for the year**.

Delete the following note.

Note: ~~The credit is not available if the employer received a loan under the Paycheck Protection Program (PPP). However, an employer that applied for a PPP Loan, received payment, and repaid the loan by May 18, 2020, will be treated as though the employer had not received a covered loan under the PPP for purposes of the ERC.~~

The CAA retroactively allows employers to claim the ERC for qualified wages paid in 2020 and 2021 if they received a PPP loan, but they cannot use the same wages for the ERC and PPP loan forgiveness.

Eligible Employers

After 2020, eligible employers include those whose gross receipts declined by more than 20% during a calendar quarter in 2021 when compared to the same quarter in 2019 (2020 if the business was not in existence in 2019). In addition, for 2021 only, an eligible business can elect to use the immediately preceding quarter and compare it to the same quarter in 2019.

Page 197**Qualified wages**

After 2020, when determining qualified wages for the ERC, it depends on the employer's average number of full-time employees, which increased from 100 to 500 under the CAA.

Page 201

In the example at the bottom of the page, assume the qualified wages were paid during the third quarter in 2020.

Page 202

After 2020, to receive an advance payment, the employer must be a small employer (500 or less employees), and the advance payment cannot exceed 70% of the average quarterly wages paid in 2019. This is new for 2021 under the CAA.

Page 204

In the example at the top of the page, assume the qualified wages were paid during third quarter in 2020.

Paid sick and family leave credits

The CAA extended these credits through March 31, 2021, for employers that voluntarily decide to give their employees paid sick or family leave after Dec. 31, 2020.

Page 206**Amount of credit**

Businesses and tax-exempt organizations with fewer than 500 employees that are required to provide paid sick leave **under the EPSLA before Jan. 1, 2021 or voluntarily provide paid sick leave before April 1, 2021**, are eligible for the paid sick leave credit equal to the sum of the following.

First bullet point should say, “Qualified sick leave wages paid between April 1, 2020 and **March 31, 2021**”

Page 207**Self-employed individuals**

Self-employed individuals can elect to use their net self-employment income from 2019 instead of 2020. This change is retroactive back to April 1, 2020 under the CAA.

Page 208

Updated draft of Form 7202, Part I, as of Nov. 30, 2020:

| | | |
|---|--|--|
| Form 7202 | Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals | OMB No. 1545-0074 |
| Department of the Treasury Internal Revenue Service | ▶ Attach to Form 1040 or 1040-SR. ▶ Go to www.irs.gov/Form7202 for instructions and the latest information. | 2020 Attachment Sequence No. 202 |
| Name of person with self-employment income (as shown on Form 1040 or 1040-SR) | | Social security number of person with self-employment income |
| Part I Credit for Sick Leave for Certain Self-Employed Individuals | | |
| 1 | Number of days you were unable to perform services as a self-employed individual because of certain coronavirus-related care you required. See instructions | 1 |
| 2 | Number of days you were unable to perform services as a self-employed individual because of certain coronavirus-related care you provided to another. (Do not include days you included in line 1.) See instructions | 2 |
| 3 | If you are filing a fiscal year return, see instructions; otherwise enter 10 | 3 |
| 4 | Enter the smaller of line 1 or line 3 | 4 |
| 5 | Subtract line 4 from line 3 | 5 |
| 6 | Enter the smaller of line 2 or line 5 | 6 |
| 7 | Net earnings from self-employment (see instructions) | 7 |
| 8 | Divide line 7 by 260 (round to nearest whole number) | 8 |
| 9 | Enter the smaller of line 8 or \$511 | 9 |
| 10 | Multiply line 4 by line 9 | 10 |
| 11 | Multiply line 8 by 67% (0.67) | 11 |
| 12 | Enter the smaller of line 11 or \$200 | 12 |
| 13 | Multiply line 6 by line 12 | 13 |
| 14 | Add lines 10 and 13 | 14 |
| 15 | Amount of qualified sick leave wages subject to the \$511 per day limit you received from an employer (see instructions) | 15 |
| 16 | Amount of qualified sick leave wages subject to the \$200 per day limit you received from an employer (see instructions) | 16 |
| If line 15 and line 16 are both zero, skip to line 24 and enter the amount from line 14. | | |
| 17 | Add line 13 and line 16 | 17 |
| 18 | Enter the smaller of line 17 or \$2,000 | 18 |
| 19 | Subtract line 18 from line 17 | 19 |
| 20 | Add lines 10, 15, and 18 | 20 |
| 21 | Enter the smaller of line 20 or \$5,110 | 21 |
| 22 | Subtract line 21 from line 20 | 22 |
| 23 | Add line 19 and line 22 | 23 |
| 24 | Subtract line 23 from line 14. If zero or less, enter -0-. Enter here and include on Schedule 3 (Form 1040), line 12b | 24 |

Paid family leave credit

The CAA extended this credit through March 31, 2021, for employers that voluntarily decide to give their employees paid family leave after Dec. 31, 2020.

Page 210

Self-employed individuals

Self-employed individuals can elect to use their net self-employment income from 2019 instead of 2020. This change is retroactive back to April 1, 2020 under the CAA.

Page 219

Under the CAA, farmers can elect to retain a two-year NOL carryback period if they already carried their NOL back two years instead of five years before the CARES Act. Farmers can also revoke a previous election to forego the NOL carryback period. These provisions are retroactive as if included in the CARES Act.

Page 226**Electing business**

A real property trade or business can make an irrevocable election out of the limitation. However, they must use ADS to depreciate nonresidential real property, residential rental property, and qualified improvement property if they make this election.

Under the CAA, for tax years beginning after Dec. 31, 2017, residential rental property is 30-year ADS property if it was placed in service before 2018, is held by an electing real property trade or business and was not subject to the ADS before 2018.

Date of revision: 1/05/2021



Addendum: Part 5: CARES Act and Employee Benefit Plans

Revision 1.1

Form 941-X (Rev. October 2020).

Page 328

Updated heading to reflect Form 941-X was revised as of October 2020.

Pages 336 – 339

Form 941-X was revised after the printing of the book. Updated forms are included below.

Date of revision: 11/16/2020

Form **941-X: Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund**
 (Rev. October 2020) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address

| | | |
|----------------------|-------------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Number | Street | Suite or room number |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| City | State | ZIP code |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Foreign country name | Foreign province/county | Foreign postal code |

Return You're Correcting...

Check the type of return you're correcting.

941

941-SS

Check the ONE quarter you're correcting.

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Enter the calendar year of the quarter you're correcting.

(YYYY)

Read the separate instructions before completing this form. Use this form to correct errors you made on Form 941 or 941-SS. Use a separate Form 941-X for each quarter that needs correction. Type or print within the boxes. You MUST complete all four pages. Don't attach this form to Form 941 or 941-SS unless you're reclassifying workers; see the instructions for line 36.

- Part 1: Select ONLY one process. See page 5 for additional guidance.**
1. **Adjusted employment tax return.** Check this box if you underreported amounts. Also check this box if you overreported amounts and you would like to use the adjustment process to correct the errors. You must check this box if you're correcting both underreported and overreported amounts on this form. The amount shown on line 27, if less than zero, may only be applied as a credit to your Form 941, Form 941-SS, or Form 944 for the tax period in which you're filing this form.
2. **Claim.** Check this box if you overreported amounts only and you would like to use the claim process to ask for a refund or abatement of the amount shown on line 27. Don't check this box if you're correcting ANY underreported amounts on this form.

Enter the date you discovered errors.

/ /

(MM / DD / YYYY)

Part 2: Complete the certifications.

3. **I certify that I've filed or will file Forms W-2, Wage and Tax Statement, or Forms W-2c, Corrected Wage and Tax Statement, as required.**
- Note:** If you're correcting underreported amounts only, go to Part 3 on page 2 and skip lines 4 and 5. If you're correcting overreported amounts, for purposes of the certifications on lines 4 and 5, Medicare tax doesn't include Additional Medicare Tax. Form 941-X can't be used to correct overreported amounts of Additional Medicare Tax unless the amounts weren't withheld from employee wages or an adjustment is being made for the current year.
4. **If you checked line 1 because you're adjusting overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax, check all that apply.** You must check at least one box.
- I certify that:
- a. I repaid or reimbursed each affected employee for the overcollected federal income tax or Additional Medicare Tax for the current year and the overcollected social security tax and Medicare tax for current and prior years. For adjustments of employee social security tax and Medicare tax overcollected in prior years, I have a written statement from each affected employee stating that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- b. The adjustments of social security tax and Medicare tax are for the employer's share only. I couldn't find the affected employees or each affected employee didn't give me a written statement that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- c. The adjustment is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I didn't withhold from employee wages.
5. **If you checked line 2 because you're claiming a refund or abatement of overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax, check all that apply.** You must check at least one box.
- I certify that:
- a. I repaid or reimbursed each affected employee for the overcollected social security tax and Medicare tax. For claims of employee social security tax and Medicare tax overcollected in prior years, I have a written statement from each affected employee stating that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- b. I have a written consent from each affected employee stating that I may file this claim for the employee's share of social security tax and Medicare tax. For refunds of employee social security tax and Medicare tax overcollected in prior years, I also have a written statement from each affected employee stating that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- c. The claim for social security tax and Medicare tax is for the employer's share only. I couldn't find the affected employees, or each affected employee didn't give me a written consent to file a claim for the employee's share of social security tax and Medicare tax, or each affected employee didn't give me a written statement that he or she hasn't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- d. The claim is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I didn't withhold from employee wages.

Next ▶

| | | |
|----------------------------|--------------------------------------|--|
| Name (not your trade name) | Employer identification number (EIN) | Correcting quarter (1, 2, 3, 4) Correcting calendar year (YYYY) |
|----------------------------|--------------------------------------|--|

Part 3: Enter the corrections for this quarter. If any line doesn't apply, leave it blank.

| | Column 1 <i>Total corrected amount (for ALL employees)</i> | Column 2 <i>Amount originally reported or as previously corrected (for ALL employees)</i> | Column 3 <i>Difference (If this amount is a negative number, use a minus sign.)</i> | Column 4 <i>Tax correction</i> |
|---|---|--|--|---|
| 6. Wages, tips, and other compensation (Form 941, line 2) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | Use the amount in Column 1 when you prepare your Forms W-2 or Forms W-2c. |
| 7. Federal income tax withheld from wages, tips, and other compensation (Form 941, line 3) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | Copy Column 3 here ▶ <input type="text"/> |
| 8. Taxable social security wages (Form 941 or 941-SS, line 5a, Column 1) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | $\times 0.124^* =$ <input type="text"/> |
| 9. Qualified sick leave wages (Form 941 or 941-SS, line 5a(i), Column 1) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | $\times 0.062 =$ <input type="text"/> |
| 10. Qualified family leave wages (Form 941 or 941-SS, line 5a(ii), Column 1) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | $\times 0.062 =$ <input type="text"/> |
| 11. Taxable social security tips (Form 941 or 941-SS, line 5b, Column 1) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | $\times 0.124^* =$ <input type="text"/> |
| 12. Taxable Medicare wages & tips (Form 941 or 941-SS, line 5c, Column 1) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | $\times 0.029^* =$ <input type="text"/> |
| 13. Taxable wages & tips subject to Additional Medicare Tax withholding (Form 941 or 941-SS, line 5d) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | $\times 0.009^* =$ <input type="text"/> |
| 14. Section 3121(q) Notice and Demand—Tax due on unreported tips (Form 941 or 941-SS, line 5f) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | Copy Column 3 here ▶ <input type="text"/> |
| 15. Tax adjustments (Form 941 or 941-SS, lines 7 through 9) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | Copy Column 3 here ▶ <input type="text"/> |
| 16. Qualified small business payroll tax credit for increasing research activities (Form 941 or 941-SS, line 11a; you must attach Form 8974) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | See instructions <input type="text"/> |
| 17. Nonrefundable portion of credit for qualified sick and family leave wages (Form 941 or 941-SS, line 11b) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | See instructions <input type="text"/> |
| 18. Nonrefundable portion of employee retention credit (Form 941 or 941-SS, line 11c) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | See instructions <input type="text"/> |
| 19. Special addition to wages for federal income tax | <input type="text"/> | <input type="text"/> | = <input type="text"/> | See instructions <input type="text"/> |
| 20. Special addition to wages for social security taxes | <input type="text"/> | <input type="text"/> | = <input type="text"/> | See instructions <input type="text"/> |
| 21. Special addition to wages for Medicare taxes | <input type="text"/> | <input type="text"/> | = <input type="text"/> | See instructions <input type="text"/> |
| 22. Special addition to wages for Additional Medicare Tax | <input type="text"/> | <input type="text"/> | = <input type="text"/> | See instructions <input type="text"/> |
| 23. Combine the amounts on lines 7 through 22 of Column 4 | | | | <input type="text"/> |
| 24. Deferred amount of social security tax* (Form 941 or 941-SS, line 13b) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | See instructions <input type="text"/> |
| * Use this line to correct the employer deferral for the second quarter of 2020 and the employer and employee deferral for the third and fourth quarters of 2020. | | | | |
| 25. Refundable portion of credit for qualified sick and family leave wages (Form 941 or 941-SS, line 13c) | <input type="text"/> | <input type="text"/> | = <input type="text"/> | See instructions <input type="text"/> |

Next ▶

| | | |
|----------------------------|--------------------------------------|---------------------------------|
| Name (not your trade name) | Employer identification number (EIN) | Correcting quarter (1, 2, 3, 4) |
| | | Correcting calendar year (YYYY) |

Part 3: Enter the corrections for this quarter. If any line doesn't apply, leave it blank. (continued)

| | Column 1 <i>Total corrected amount (for ALL employees)</i> | Column 2 <i>Amount originally reported or as previously corrected (for ALL employees)</i> | Column 3 <i>Difference (If this amount is a negative number, use a minus sign.)</i> | Column 4 <i>Tax correction</i> |
|---|---|--|--|---|
| 26. Refundable portion of employee retention credit (Form 941 or 941-SS, line 13d) | <input style="width:100%;" type="text"/> | - <input style="width:100%;" type="text"/> | = <input style="width:100%;" type="text"/> | See instructions <input style="width:100%;" type="text"/> |
| 27. Total. Combine the amounts on lines 23 through 26 of Column 4 | | | | <input style="width:100%;" type="text"/> |
| <p>If line 27 is less than zero:</p> <ul style="list-style-type: none"> • If you checked line 1, this is the amount you want applied as a credit to your Form 941 or 941-SS for the tax period in which you're filing this form. (If you're currently filing a Form 944, Employer's ANNUAL Federal Tax Return, see the instructions.) • If you checked line 2, this is the amount you want refunded or abated. <p>If line 27 is more than zero, this is the amount you owe. Pay this amount by the time you file this return. For information on how to pay, see <i>Amount you owe</i> in the instructions.</p> | | | | |
| 28. Qualified health plan expenses allocable to qualified sick leave wages (Form 941 or 941-SS, line 19) | <input style="width:100%;" type="text"/> | - <input style="width:100%;" type="text"/> | = <input style="width:100%;" type="text"/> | |
| 29. Qualified health plan expenses allocable to qualified family leave wages (Form 941 or 941-SS, line 20) | <input style="width:100%;" type="text"/> | - <input style="width:100%;" type="text"/> | = <input style="width:100%;" type="text"/> | |
| 30. Qualified wages for the employee retention credit (Form 941 or 941-SS, line 21) | <input style="width:100%;" type="text"/> | - <input style="width:100%;" type="text"/> | = <input style="width:100%;" type="text"/> | |
| 31. Qualified health plan expenses allocable to wages reported on Form 941 or 941-SS, line 21 (Form 941 or 941-SS, line 22) | <input style="width:100%;" type="text"/> | - <input style="width:100%;" type="text"/> | = <input style="width:100%;" type="text"/> | |
| 32. Credit from Form 5884-C, line 11, for this quarter (Form 941 or 941-SS, line 23) | <input style="width:100%;" type="text"/> | - <input style="width:100%;" type="text"/> | = <input style="width:100%;" type="text"/> | |
| 33a. Qualified wages paid March 13 through March 31, 2020, for the employee retention credit (use this line to correct only the second quarter of 2020) (Form 941 or 941-SS, line 24) | <input style="width:100%;" type="text"/> | - <input style="width:100%;" type="text"/> | = <input style="width:100%;" type="text"/> | |
| 33b. Deferred amount of the employee share of social security tax included on Form 941 or 941-SS, line 13b (use this line to correct only the third and fourth quarters of 2020) (Form 941 or 941-SS, line 24) | <input style="width:100%;" type="text"/> | - <input style="width:100%;" type="text"/> | = <input style="width:100%;" type="text"/> | |
| 34. Qualified health plan expenses allocable to wages reported on Form 941 or 941-SS, line 24 (use this line to correct only the second quarter of 2020) (Form 941 or 941-SS, line 25) | <input style="width:100%;" type="text"/> | - <input style="width:100%;" type="text"/> | = <input style="width:100%;" type="text"/> | |

Next ►

Type of errors
you're
correcting

Form 941-X: Which process should you use?

| | | | |
|--|---|--|--|
| Underreported amounts ONLY | Use the adjustment process to correct underreported amounts. | <ul style="list-style-type: none"> • Check the box on line 1. • Pay the amount you owe from line 27 by the time you file Form 941-X. | |
| Overreported amounts ONLY | The process you use depends on when you file Form 941-X. | If you're filing Form 941-X MORE THAN 90 days before the period of limitations on credit or refund for Form 941 or Form 941-SS expires... | <p>Choose either the adjustment process or the claim process to correct the overreported amounts.</p> <p>Choose the adjustment process if you want the amount shown on line 27 credited to your Form 941, Form 941-SS, or Form 944 for the period in which you file Form 941-X. Check the box on line 1.</p> <p>OR</p> <p>Choose the claim process if you want the amount shown on line 27 refunded to you or abated. Check the box on line 2.</p> |
| BOTH underreported and overreported amounts | The process you use depends on when you file Form 941-X. | If you're filing Form 941-X MORE THAN 90 days before the period of limitations on credit or refund for Form 941 or Form 941-SS expires... | <p>You must use the claim process to correct the overreported amounts. Check the box on line 2.</p> <hr/> <p>Choose either the adjustment process or both the adjustment process and the claim process when you correct both underreported and overreported amounts.</p> <p>Choose the adjustment process if combining your underreported amounts and overreported amounts results in a balance due or creates a credit that you want applied to Form 941, Form 941-SS, or Form 944.</p> <ul style="list-style-type: none"> • File one Form 941-X, and • Check the box on line 1 and follow the instructions on line 27. <p>OR</p> <p>Choose both the adjustment process and the claim process if you want the overreported amount refunded to you or abated.</p> <p>File two separate forms.</p> <ol style="list-style-type: none"> 1. For the adjustment process, file one Form 941-X to correct the underreported amounts. Check the box on line 1. Pay the amount you owe from line 27 by the time you file Form 941-X. 2. For the claim process, file a second Form 941-X to correct the overreported amounts. Check the box on line 2. <hr/> <p>You must use both the adjustment process and the claim process.</p> <p>File two separate forms.</p> <ol style="list-style-type: none"> 1. For the adjustment process, file one Form 941-X to correct the underreported amounts. Check the box on line 1. Pay the amount you owe from line 27 by the time you file Form 941-X. 2. For the claim process, file a second Form 941-X to correct the overreported amounts. Check the box on line 2. |

Revision 1.2

Coronavirus-related defined -new event

Page 303

A taxpayer is a qualified individual if the taxpayer has:

- Coronavirus-related diagnosis by a CDD approved test
- Spouse or dependent diagnosed by a CDC approved test
- Experienced specific coronavirus-related adverse financial consequences

Page 303

Adverse financial consequences result from the taxpayer, their spouse or member of the taxpayer's household experiencing a coronavirus-related:

- Quarantine, furlough or layoff, work hours reduction
- Inability to work due to lack of childcare
- Closing or reduced hours of owned or operated business
- Reduction in pay or job offer rescinded or job start delayed
- Reduction in self-employment income

CARES Act payment changes

Page 315

Updated guidance has been provided by the IRS after the text was printed.

Extension of Deadline for Defined Benefit Plan Contributions: Due to the CARES Act, any minimum required contribution to or under a single employer defined plan that would otherwise be due during calendar year 2020 is due on Jan. 1, 2021. Since financial institutions cannot transfer funds on Jan. 1, many employers would be required to make contributions prior to that date. This would be inconsistent with the intent of the CARES Act. The IRS has announced it will treat a contribution with an extended due date of Jan. 1, 2021 as timely if it is made no later than Jan. 4, 2021. The amount of the minimum required contribution that is satisfied by the contribution is determined by computing the applicable interest adjustment using the actual contribution date. The guidance can be found in Notice 2020-82.

Quarters three and four, 2020

Page 327

Form 941, Employer's Quarterly Federal Tax Return, for 3rd and 4th quarters, was finalized and released by the IRS on September 30, 2020.

The draft Form 941 to be used for quarters three and four is now finalized. The finalized version is below and can be found at <https://www.irs.gov/pub/irs-pdf/f941.pdf>. The changes to the form between quarter 2 and quarter 3 and 4 are marked.

Form **941 for 2020: Employer's QUARTERLY Federal Tax Return**
 (Rev. July 2020) Department of the Treasury — Internal Revenue Service

950120
 OMB No. 1545-0029

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address

Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

Report for this Quarter of 2020
 (Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Go to www.irs.gov/Form941 for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: Sept. 12 (Quarter 3) or Dec. 12 (Quarter 4) 1

2 Wages, tips, and other compensation 2

3 Federal income tax withheld from wages, tips, and other compensation 3

4 If no wages, tips, and other compensation are subject to social security or Medicare tax Check and go to line 6.

| | Column 1 | | Column 2 |
|--|--------------------------|-----------|----------------------|
| 5a Taxable social security wages | <input type="text"/> | x 0.124 = | <input type="text"/> |
| 5a (i) Qualified sick leave wages | <input type="text"/> | x 0.062 = | <input type="text"/> |
| 5a (ii) Qualified family leave wages | <input type="text"/> | x 0.062 = | <input type="text"/> |
| 5b Taxable social security tips | <input type="text"/> | x 0.124 = | <input type="text"/> |
| 5c Taxable Medicare wages & tips | <input type="text"/> | x 0.029 = | <input type="text"/> |
| 5d Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text"/> | <input type="text"/> | x 0.009 = | <input type="text"/> |
| 5e Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(ii), 5b, 5c, and 5d | 5e <input type="text"/> | | |
| 5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions) | 5f <input type="text"/> | | |
| 6 Total taxes before adjustments. Add lines 3, 5e, and 5f | 6 <input type="text"/> | | |
| 7 Current quarter's adjustment for fractions of cents | 7 <input type="text"/> | | |
| 8 Current quarter's adjustment for sick pay | 8 <input type="text"/> | | |
| 9 Current quarter's adjustments for tips and group-term life insurance | 9 <input type="text"/> | | |
| 10 Total taxes after adjustments. Combine lines 6 through 9 | 10 <input type="text"/> | | |
| 11a Qualified small business payroll tax credit for increasing research activities. Attach Form 8974 | 11a <input type="text"/> | | |
| 11b Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1 | 11b <input type="text"/> | | |
| 11c Nonrefundable portion of employee retention credit from Worksheet 1 | 11c <input type="text"/> | | |

▶ You MUST complete all three pages of Form 941 and SIGN it. **Next ▶▶▶**
 For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 170012 Form **941** (Rev. 7-2020)

950220

| | |
|----------------------------|--------------------------------------|
| Name (not your trade name) | Employer identification number (EIN) |
|----------------------------|--------------------------------------|

Part 1: Answer these questions for this quarter. (continued)

| | | |
|---|-----|---|
| 11d Total nonrefundable credits. Add lines 11a, 11b, and 11c | 11d | <input style="width:95%;" type="text"/> |
| 12 Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10 | 12 | <input style="width:95%;" type="text"/> |
| 13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter | 13a | <input style="width:95%;" type="text"/> |
| 13b Deferred amount of social security tax | 13b | <input style="width:95%;" type="text"/> |
| 13c Refundable portion of credit for qualified sick and family leave wages from Worksheet 1 | 13c | <input style="width:95%;" type="text"/> |
| 13d Refundable portion of employee retention credit from Worksheet 1 | 13d | <input style="width:95%;" type="text"/> |
| 13e Total deposits, deferrals, and refundable credits. Add lines 13a, 13b, 13c, and 13d | 13e | <input style="width:95%;" type="text"/> |
| 13f Total advances received from filing Form(s) 7200 for the quarter | 13f | <input style="width:95%;" type="text"/> |
| 13g Total deposits, deferrals, and refundable credits less advances. Subtract line 13f from line 13e | 13g | <input style="width:95%;" type="text"/> |
| 14 Balance due. If line 12 is more than line 13g, enter the difference and see instructions | 14 | <input style="width:95%;" type="text"/> |
| 15 Overpayment. If line 13g is more than line 12, enter the difference <input style="width:100px;" type="text"/> | | Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund. |

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

16 Check one: Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below; if you're a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

| | | |
|----------------|-----------------------------|---|
| Tax liability: | Month 1 | <input style="width:95%;" type="text"/> |
| | Month 2 | <input style="width:95%;" type="text"/> |
| | Month 3 | <input style="width:95%;" type="text"/> |
| | Total liability for quarter | <input style="width:95%;" type="text"/> |

Total must equal line 12.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941. Go to Part 3.

952920

| | |
|----------------------------|--------------------------------------|
| Name (not your trade name) | Employer identification number (EIN) |
|----------------------------|--------------------------------------|

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

17 If your business has closed or you stopped paying wages Check here, and enter the final date you paid wages / / ; also attach a statement to your return. See instructions.

18 If you're a seasonal employer and you don't have to file a return for every quarter of the year Check here.

19 Qualified health plan expenses allocable to qualified sick leave wages 19 .

20 Qualified health plan expenses allocable to qualified family leave wages 20 .

21 Qualified wages for the employee retention credit 21 .

22 Qualified health plan expenses allocable to wages reported on line 21 22 .

23 Credit from Form 5000-C, line 11, for this quarter 23 .

24 Deferred amount of the employee share of social security tax included on line 13b 24 .

25 Reserved for future use 25 .

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Yes. Designee's name and phone number

Select a 5-digit personal identification number (PIN) to use when talking to the IRS.

No.

Part 5: Sign here. You MUST complete all three pages of Form 941 and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

X Sign your name here

Date / /

Print your name here

Print your title here

Best daytime phone

Paid Preparer Use Only

Check if you're self-employed

Preparer's name PTIN

Preparer's signature Date / /

Firm's name (or yours if self-employed) EIN

Address Phone

City State ZIP code

Form 7202

Page 333

The note regarding Form 7202 and instructions should be updated to reflect the fact that on Nov. 3, 2020, the IRS issued draft instructions for Form 7202. The instructions can be found at <https://www.irs.gov/pub/irs-dft/i7202--dft.pdf>.

Annual Inflation Adjustments

Page 341

The text should be updated to reflect the 2021 inflation adjusted amounts. Most limit amounts are unchanged from the prior year. The changed amounts have been highlighted.

| Annual Elective Deferral Limit | 2021 | 2020 | 2019 | 2018 |
|--|-----------------------|----------|----------|----------|
| §401(k) | \$19,500 Unchanged | \$19,500 | \$19,000 | \$18,500 |
| §401(k) age 50 or older* | \$26,000 Unchanged | \$26,000 | \$25,000 | \$24,500 |
| §403(b) annuity | \$19,500 Unchanged | \$19,500 | \$19,000 | \$18,500 |
| §403(b) annuity age 50 or older* | \$26,000 Unchanged | \$26,000 | \$25,000 | \$24,500 |
| SARSEP | \$19,500 Unchanged | \$19,500 | \$19,000 | \$18,500 |
| SARSEP age 50 or older | \$26,000 Unchanged | \$26,000 | \$25,000 | \$24,500 |
| SIMPLE & SIMPLE 401(k) | \$13,500 Unchanged | \$13,500 | \$13,000 | \$12,500 |
| SIMPLE & SIMPLE 401(k) age 50 or older* | \$16,500 Unchanged | \$16,500 | \$16,000 | \$15,500 |
| §457 (government & exempt) organizations | \$19,500 Unchanged | \$19,500 | \$19,000 | \$18,500 |
| §457 age 50 or older* | \$26,000 Unchanged | \$26,000 | \$25,000 | \$24,500 |

*Note: A participant who is projected to attain age 50 before the end of a calendar year is deemed to be age 50 as of January 1 of that year. This optional provision must first be elected by the pension plan sponsor (employer).

| Annual Elective Deferral Limit | 2021 | 2020 | 2019 | 2018 |
|---|------------------------|-------------|-------------|-------------|
| Annual benefit limit for defined benefit plan | \$230,000 Unchanged | \$230,000 | \$250,000 | \$200,000 |
| Annual benefit limit for defined contribution plan | \$58,000 | \$57,000 | \$56,000 | \$55,000 |
| Annual benefit limit for defined contribution plan age 50 or older | \$64,500 | \$63,500 | \$62,000 | \$61,000 |
| Annual compensation limit | \$290,000 | \$285,000 | \$280,000 | \$275,000 |
| SEP minimum compensation limit | \$650 | \$600 | \$600 | \$600 |
| Highly compensated employee (Based on previous year's compensation) | \$130,000 Unchanged | \$130,000 | \$125,000 | \$120,000 |
| Key employee compensation in top-heavy plan | \$185,000 Unchanged | \$185,000 | \$180,000 | \$175,000 |
| IRA or Roth** | \$6,000 Unchanged | \$6,000 | \$5,500 | \$5,500 |
| IRA or Roth age 50 or older** | \$7,000 Unchanged | \$7,000 | \$6,500 | \$6,500 |
| **Lesser of this or earned income | | | | |

Annual Inflation adjustments - 2020 column

Page 343

The table has been updated to reflect the 2020 numbers that were incorrectly stated in the original text.

For tax year 2020 §457, §401(k), §403(b), and SARSEP plans had a retirement contribution limit of \$19,500. These plans had an age 50 catch-up contribution limit of \$6,500. The table incorrectly stated a \$25,500 limit for age 50 or older. The correct amount should be \$26,000.

Annual benefit limit for defined contribution plan 2018-2020

Page 343

The table has been updated for the overall limit on defined contribution plan contributions based on taxpayer's who are allowed to make catch-up contributions and those that are not allowed.

Date of revision: 11/24/2020

Revision 1.3

Background (Eligible plan update)

Page 304

The COVID-Related Tax Relief Act of 2020 (COVIDTRA) states in the case of a money purchase pension plan, a coronavirus-related distribution which is an in-service withdrawal (a withdrawal made while the beneficiary of the plan is still employed by the plan owner) is treated as meeting the distribution rules of § 401(a). The provision is retroactive to the passage of the CARES Act and expires Dec. 30,2020.

Operating in Accordance with Plan Terms

Page 309

The IRS has extended, through June 30, 2021, temporary relief from the physical presence requirement for certain retirement plan participant elections. Reg §1.401(a)-21(d)(6)(i) provides that, in the case of a participant election that is required to be witnessed by a plan representative or a notary public, the signature of the individual making the participant election must be witnessed in the physical presence of a plan representative or a notary public (physical presence requirement). In June 2020, the IRS provided temporary relief from the physical presence requirement. Notice 2021-3 extends the temporary relief through June 30, 2021.

Emergency Family and Medical Leave Expansion Act

Page 316

The mandate to provide the EFMLEA leave expires on Dec. 31,2020. Employers are able to voluntarily provide the EFMLEA leave through March 31, 2021.

Small business exemption

Page 319

Employers are able to voluntarily provide these paid leaves through March 31, 2021. The mandate to provide the leave will end on Dec. 31, 2020. If an employer voluntarily provides paid leave to employees after Dec. 31, as if the EPSLA and/or the EFMLEA were still in effect, then the federal government will provide tax credits/refunds to the employer.

Update: Employer credit extension for paid family and sick leave

Page 319

Extended, through March 31, 2021, is the employer tax credit for paid family and sick leave. The credits were set to expire Dec.31,2020 and now will be allowed voluntarily through March 31,2021. Once an employer has been provided with a credit for two weeks of sick leave and 10 weeks of family leave for an employee, no additional credits would be available, regardless of the year the leave was provided.

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 would extend the employer credit for paid family and medical leave under §45S(i) through December 31, 2025.

Proposed changes to FMLA – HEROES Act vs. HEALS Act

Page 321

The Consolidated Appropriations Act, 2021 (CAA, 2021) makes this obsolete.

Self-employed sick and family leave credits

Page 340

Allows individuals to elect to use their average daily self-employment income from 2019 rather than 2020 to compute the credit. This provision is effective as if included in FFCRA.

Date of revision: 12/31/2020

Addendum: Part 6: 121 and Foreclosures

Revision 1.1

The page number for the Pub. 4681 was changed.

Page 391

Pub. 4681, Page 6, provides a worksheet for the determination of insolvency.

Date of revision: 11/16/2020

Revision 1.2

Landlord evictions restrictions CDC Eviction Moratorium extended date.

Page 361

Landlord eviction restrictions CDC Eviction Moratorium extended until Jan. 31, 2021.

Date of revision: 12/22/2020

Addendum: Part 7: Individual and Business Summary and Strategies

Revision 1.1

Page 411

Under Net operating losses, second bullet should say, “After December 31, 2020,” not 2021.

Pages 424

At the bottom of the page it says, “Until we hear otherwise, Form 2848, *Power of Attorney and Declaration of Representative*, cannot be filed with a digital signature.”

The *Taxpayer First Act (TFA) of 2019* requires the IRS to provide digital signature options for Form 2848 and Form 8821, *Tax Information Authorization*. Currently, submitting and processing these authorization forms is a paper operation.

Even before COVID-19, the IRS was working on CAF improvements and making the TFA requirements a reality. Here’s an important look at what’s ahead:

- In January 2021, they plan to launch a new IRS.gov secure submission platform and a new page, “Submit Forms 2848 and 8821 Online,” that will allow tax professionals to upload third-party authorization forms electronically.
- Tax professionals will enter their Secure Access username and password or complete a Secure Access registration to authenticate their identities.
- Taxpayers and tax professionals can sign the forms electronically or with ink, and then upload the image of the form to the IRS.

Date of revision: 12/03/2020

Revision 1.2

The following information reflects changes made by the Consolidated Appropriations Act of 2021 (CAA).

Page 402

The Treasury and IRS began delivering a second round of economic impact payments (EIPs).

- \$600 per taxpayer (\$1,200 on MFJ return)
- \$600 for each qualifying child under age 17

Payments are automatic for eligible taxpayers who filed a 2019 tax return, those who receive Social Security retirement, survivor or disability benefits, Railroad Retirement benefits as well as Supplemental Security Income (SSI) and Veterans Affairs beneficiaries who didn't file a tax return. Payments are also automatic for anyone who successfully registered for the first payment online at IRS.gov using the agency's Non-Filers tool by November 21, 2020 or who submitted a simplified tax return that has been processed by the IRS.

Generally, if taxpayers have adjusted gross income for 2019 up to \$75,000 for individuals and up to \$150,000 for married couples filing joint returns and surviving spouses, they will receive the full amount of the second payment. For filers with income above those amounts, the payment amount is reduced.

Under the earlier CARES Act, joint returns of couples where only one member of the couple had a Social Security number were generally ineligible for a payment – unless they were a member of the military. But this month's new law changes and expands that provision, and more people are now eligible. In this situation, these families will now be eligible to receive payments for the taxpayers and qualifying children of the family who have work-eligible SSNs.

Page 407

The CAA extended the provision that educational assistance includes student loan payments for five years through 2025.

Eligible student loan repayments are payments made by the employer on any qualified higher education loan as defined in §221(d)(1) for the education of the employee before Jan. 1, 2026.

Page 409**Limited deduction for non-itemizers**

Under the CAA, the charitable deduction is limited to \$300 on a married filing jointly (MFJ) return and \$150 on a married filing separately (MFS) return. The CAA extended this deduction through 2021. In addition, for 2021 only, the CAA increased the deduction to \$600 on a MFJ return.

Limitation on deductions

The CARES Act provides that qualified contributions are disregarded in applying the 60% limit on cash contributions of individuals and the rules on carryovers of excess contributions, thus making them 100% deductible. The CAA extended this provision through 2021.

Page 411**Net operating losses**

Under the CAA, farmers can elect to retain a two-year NOL carryback period if they already carried their NOL back two years instead of five years before the CARES Act. Farmers can also revoke a previous election to forego the NOL carryback period. These provisions are retroactive as if included in the CARES Act.

Page 415**Employee retention credit**

The CAA extended the employee retention credit (ERC) through June 30, 2021. It also expanded the ERC to 70% of qualified wages paid on or after Jan. 1, 2021 through June 30, 2021 for each employee for each calendar quarter. For 2020, the ERC is only 50% of qualified wages for each employee for the year.

For 2020, a significant decline in gross receipts means gross receipts declined by more than 50% during a calendar quarter (beginning with the first calendar quarter in 2020) when compared to the same quarter in 2019.

After 2020, the CAA reduced this percentage down to 20%. Thus, eligible employers include those whose gross receipts declined by more than 20% during a calendar quarter in 2021 when compared to the same quarter in 2019 (2020 if the business was not in existence in 2019). In addition, for 2021 only, an eligible business can elect to use the immediately preceding quarter and compare it to the same quarter in 2019.

Page 416

The CAA retroactively allows employers to claim the ERC for qualified wages paid in 2020 and 2021 if they received a PPP loan, but they cannot use the same wages for the ERC and PPP loan forgiveness.

Pages 419-420

Under the CAA, forgiven PPP loans and EIDL grants are not included in gross income. In addition, deductions are allowed for expenses paid with such loans, tax attributes are not reduced and a basis increase is not denied.

Page 421**Payroll tax deferral**

The CAA extended the payback period. The amounts deferred are to be ultimately remitted to the Treasury between Jan. 1, 2021, and Dec. 31, 2021, without additional payments such as interest, penalties, or other additional amounts or taxes. Interest, penalties and additions to tax will begin to accrue on Jan. 1, 2022, with respect to any unpaid taxes.

Pages 425-427

Disregard HEROES and HEALS Acts since CAA was passed instead.

Date of revision: 1/4/2021