

October 21, 2021

Tax News Update!

We are still dealing with some tax issues and opportunities related to what's been going on these past 2 years.

Let's start with an opportunity. There is a somewhat obscure provision, Code Section 139, which allows employers to help their employees during a Presidentially Declared Disaster. The code allows an employer the ability to give money to an employee if the employee is experiencing a financial hardship. We are currently in a Presidentially Declared Disaster and your employees are likely experiencing a hardship as the result of rising gas prices and rising food prices because of inflation. These payments to your employees are not payroll. They are not subject to tax withholdings. And, even better, they are not taxable to the employee, but they are fully deductible by the business. There are no discrimination rules, so if you have one employee who may need more help than others, you can do that. Owners can participate, but our recommendation would be to not take more than you are giving to non-owner employees.

This could be a great opportunity, let us know if we can help or you have additional questions.

Now for an issue. The Employee Retention Tax Credit was passed last year, and we have helped many of our clients apply for it in both 2020 and 2021. Recently, the IRS issued new guidance that owners and related individuals do not qualify for the retention credit. If you had previously applied for a retention credit for which the calculation included owners or related parties, you *may* have to repay all or a portion of the credit. We are not recommending amending or correcting these yet as there may be a possibility that congress will act on this similar to how they corrected the IRS's interpretation of the taxability of the PPP loan forgiveness. But we did want to make you aware of the issue so that you can maybe set some of the credit aside when you receive it.

One last item is to make you aware the Covid Sick Pay provision expired at the end of the 3rd quarter, September 30, 2021.

As always, we are here to help in any way we can.

Lawrence, Nelson & Associates, Ltd.