2021 Year-End **Tax Planning Guide for Businesses**

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Year in Review

As the COVID-19 pandemic lingers for a second year, business owners continue to face uncertainty and feel the effects of the pandemic. In today's vastly different business climate, timely professional tax expertise is more important than ever before.

Tax Legislation Limbo

After passing some financial relief measures to help businesses — including the Consolidated Appropriations Act (CAA) in late December 2020 and the American Rescue Plan Act (ARPA) in March 2021 — Congress has failed to pass most of the landmark tax reforms that President Biden campaigned on in 2020. As of this writing, Congress is continuing to hash out the details of Biden's Build Back Better Act (BBBA).

Although the congressional stalemate over tax law changes complicates year-end planning, there's a silver lining: The most recent draft of the BBBA no longer includes many of the proposed tax rate increases and estate tax provisions that would have adversely affected businesses and owners of pass-through entities. Most business tax breaks provided under the Tax Cuts and Jobs Act (TCJA) are expected to remain on the books for 2021.

However, the BBBA draft does include a provision that would expand the 3.8% net investment income tax (NIIT) to include active business income from pass-through businesses, including sole proprietorships, partnerships, limited liability companies and S corporations. Owners of pass-through businesses who report their business income on their individual tax returns also could be subject to a new 5% "surtax" on modified adjusted gross income (MAGI) that exceeds $10 million, with an additional 3% on income of more than $25 million.

In addition, the BBBA draft calls for significant changes to the international tax provisions of the tax code. Additionally, some Democrat lawmakers have proposed for a 15% corporate minimum tax based on book income for companies that report over $1 billion in profits to shareholders. This proposal would affect only 200 of the largest, most profitable U.S. companies.

It's currently uncertain whether any major tax legislation will pass before year end and, if a law is enacted, when the changes would go into effect.

Ongoing Economic Strains

Some businesses have leveraged market opportunities that were created by the COVID-19 pandemic. Others have shifted to work-from-home arrangements or implemented effective pivot strategies to keep their operations afloat during the downturn.

Some businesses haven't been so fortunate. Congress provided some additional pandemic-related relief measures — such as Paycheck Protection Program (PPP) loans, the employee retention tax credit (ERC) and HHS Provider Relief Funds — in the first half of the year. But federal relief measures largely dried up by the Fall. The Infrastructure Investment and Jobs Act terminated the ERC early, making any wages paid post September 30, 2021, ineligible for the credit.

To add insult to injury, the U.S. Department of Labor reported that the annualized rate of inflation was 6.2% in October 2021, the highest year-on-year gain since 1990.

Soaring inflation combined with supply chain disruptions have caused costs to skyrocket in most sectors. Many businesses have responded by raising prices, further contributing to the inflationary trend.

Labor shortages present additional challenges for businesses in 2021. To help attract and retain skilled workers, some businesses have increased wages and expanded benefits. Others have cut back on their hours of operation or outsourced more work to third parties. Businesses short on cash may resort to creative solutions — such as flexible scheduling, share-based awards and discounted benefit offerings that are paid for by employees — to help reduce employee turnover.

Cautious Approach to Year-End Tax Planning

Current market conditions suggest that we may be heading into a recession. With many businesses strapped for cash and the potential for dark economic times ahead, it may be prudent to preserve cash flow by lowering taxes over the short run — even if you expect Congress to enact less favorable tax rules for 2021.

This suggests that the traditional strategy of *deferring* revenue recognition and *accelerating* deductible expenses might be the right approach for many businesses that use cash-basis accounting for 2021. Cash-strapped businesses also might not be in a position to make leasehold improvements or purchase equipment and vehicles to take advantage of bonus depreciation and Section 179 expensing for 2021.

However, if your business is fortunate enough to have excess cash on hand and strong growth prospects for 2022 and you expect unfavorable tax law changes to happen before the midterm elections, it might be prudent to position your business to take advantage of limited-time tax savings opportunities before they expire. But remember that assets must be placed in service *before* year end to take advantage of bonus depreciation and Sec. 179 expensing. Also, cash-basis businesses should consider timing income and deductions to *maximize* taxable income in 2021 while they can count on historically low effective tax rates on income and capital gains.

Beware: The IRS plans to ramp up tax enforcement efforts. After years of decreased IRS funding, the Biden administration would like to increase audit activity to 2010 levels. Many of these efforts would target large corporations, pass-through entities and overseas business transactions.

Each situation is unique. Talk to your tax advisor about what's right for you and your business in light of your current and expected income, future spending plans, relevant tax laws and legislative developments.

We Can Help

As we head into 2022, an underlying tone of uncertainty remains. Strategic planning is difficult under these conditions. We continue to monitor tax law developments and encourage you to maintain an open line of communication with us. There's still a chance that the BBBA will pass in December, so be ready to make last-minute moves before year end.

Here's a brief summary of tax planning opportunities for your business to consider before year end, as well as links to relevant blogs we've posted in 2020 and 2021.

"As businesses continue to navigate their way through the pandemic in 2021, we have been helping clients determine which programs they qualify for to provide support for their businesses, including ERC, PPP forgiveness reporting, HHS Provider Relief Funds, etc. With looming tax law changes likely being enacted before year-end, we are constantly tracking how these changes will affect our clients. I hope you find our Year-End Tax Planning Guide for Businesses helpful to navigate through all the changes that may affect your business."

Loree B. Dubois, CPA, MBA, Partner, Corporate Tax Services Group

Section 1: Tax Filing Deadlines

Tax Filing Deadlines for Calendar-year businesses – When Are Your 2021 Business Tax Returns Due?

Type of Return	Due Date for 2021 Original Returns
Form 1120 for C corps	Friday, April 15, 2022
Form 1065 for Partnerships	Tuesday, March 15, 2022
Form 1120S for S corporations	Tuesday, March 15, 2022

Not a Calendar Year Entity?

Companies that use a fiscal year end face the following deadlines for tax years beginning in 2016 or later:

- Form 1120 for C corps: the 15th day of the fourth month after the close of the corporation's tax year.
- Form 1065 for partnerships and Form 1120S for S corporations: the 15th day of the third month after the close of the partnership's tax year.

For C corporations with a June 30 year end, these deadlines aren't effective until the 2026 tax return.

Disaster Relief

The IRS is providing various types of tax relief for victims of Hurricanes Zeta, Ida and Nicholas, the California wildfires, and other natural disasters. If you do business in affected areas, we can help you understand the extended tax filing deadlines and other tax relief provisions that may apply for 2021.

Section 2: Major Tax Law Developments

So far, Congress has passed surprisingly few tax law changes in 2021 — even though Democrats control both the House and Senate. Notably, the American Rescue Plan Act (ARPA), which passed in March 2021, provided some tax relief measures for businesses, including:

- Expansion of the ERC.
- Increased exclusion for employer-provided dependent care assistance,
- Extended paid sick and family leave benefits,
- Exclusions from gross income for Economic Injury Disaster Loan (EIDL) advances and restaurant revitalization grants,
- Expanded limit on "covered employee" compensation for public companies, and
- Extension of limitation on excess business losses until the end of 2026.

The ARPA also funded a tax credit for small businesses that provided paid time off for employee vaccinations.

The Consolidated Appropriations Act (CAA), which was signed into law in late December 2020, extended the following business breaks that were set to expire at the end of 2020:

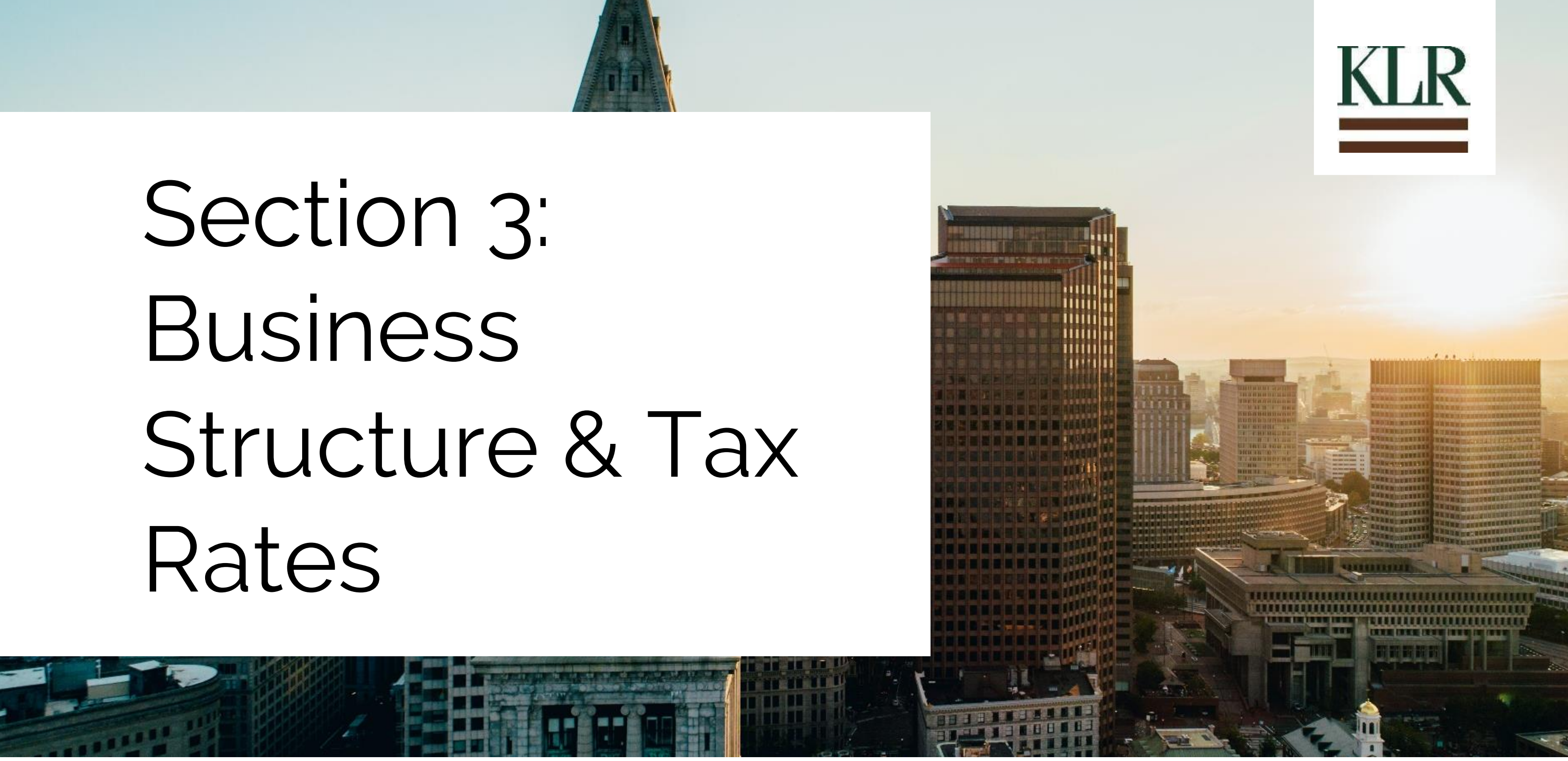
- 100% deduction for the cost of business meals provided by restaurants through 2022,
- The work opportunity tax credit to hire qualifying employees through 2025,
- Credits for alternative fuel vehicle refueling equipment and fuel cell vehicles for 2021, and
- The new markets credit program and empowerment zone breaks to encourage businesses to invest in low-income communities.

Important: The CAA also clarified that taxpayers whose PPP loans are forgiven are allowed deductions for otherwise deductible expenses paid with the proceeds of a PPP loan, and the tax basis and other attributes of the borrower's assets won't be reduced as a result of the loan forgiveness. This is welcome news for business owners. Not all states have followed the federal tax treatment on PPP forgiveness. Visit our PPP Headquarters for more information.

In November, the Infrastructure Investment and Jobs Act (often referred to as the Bipartisan Infrastructure Bill) was signed into law. Though it contains few tax-related provisions, it repealed the ERC for the fourth quarter of 2021, except for recovery startup businesses. The law also liberalized the definition of a recovery startup business for purposes of claiming the ERC.

As of this writing, Congress is negotiating the Build Back Better Act. If enacted, this legislation could impact tax planning for businesses and business owners for 2021.

It's currently unclear whether Congress will reach a consensus on this bill and, if so, when any tax-related provisions would go into effect. But you should be ready to respond to any changes up until December 31.



Section 3: Business Structure & Tax Rates

To Pass Through or Not to Pass Through?

Business Structure

Many small businesses operate as sole proprietorships, partnerships, S corporations and other so-called "pass-through entities" to lower taxes. The TCJA temporarily levels the playing field between pass-through entities and C corporations, causing some businesses to question their current business structure.

Under the TCJA, a maximum effective tax rate of only 29.6% applies to pass-through entities that qualify for the full deduction for [qualified business income (QBI)]. But not all entities will qualify for the full amount.

What's Your Income Tax Rate for 2021?

C Corporations **vs.** **Pass-Through Entities**

C Corporations

- Federal income tax rate is *permanently* cut to a **flat 21%.**
- Tax rate cut is extended to **personal service corporations.**
- Corporate **AMT** is *permanently* repealed.
- Corporate income is still **double taxed:** 1) at the entity level, and 2) when income is distributed to shareholders.

Pass-Through Entities

- Federal income tax rates for individual owners are **slightly lower** through 2025.
- Income thresholds for application of individual rates **increased slightly** through 2025.
- Fewer individuals who own pass-through entities will be subject to the **AMT** through 2025.
- Owners may be eligible for the **QBI deduction** through 2025.
- No federal income tax is paid at the entity level.

Global businesses face complex tax rules under the TCJA. But, in general, there's an incentive for U.S. businesses with subsidiaries outside of the United States to repatriate. In addition, President Biden has proposed international tax changes that would roll back certain TCJA provisions that created breaks for corporations and high net worth individuals.

SALT Workaround

Since TCJA was passed, there has been a $10,000 limit on state and local tax (SALT) deductions on personal tax returns. The IRS and Treasury have signaled their approval of certain state workarounds for this limitation.

There are currently over 20 states that have implemented a mandatory or voluntary pass-through entity (PTE) level state tax. Opting into these state taxes can provide a big federal tax benefit to the individual taxpayers. .

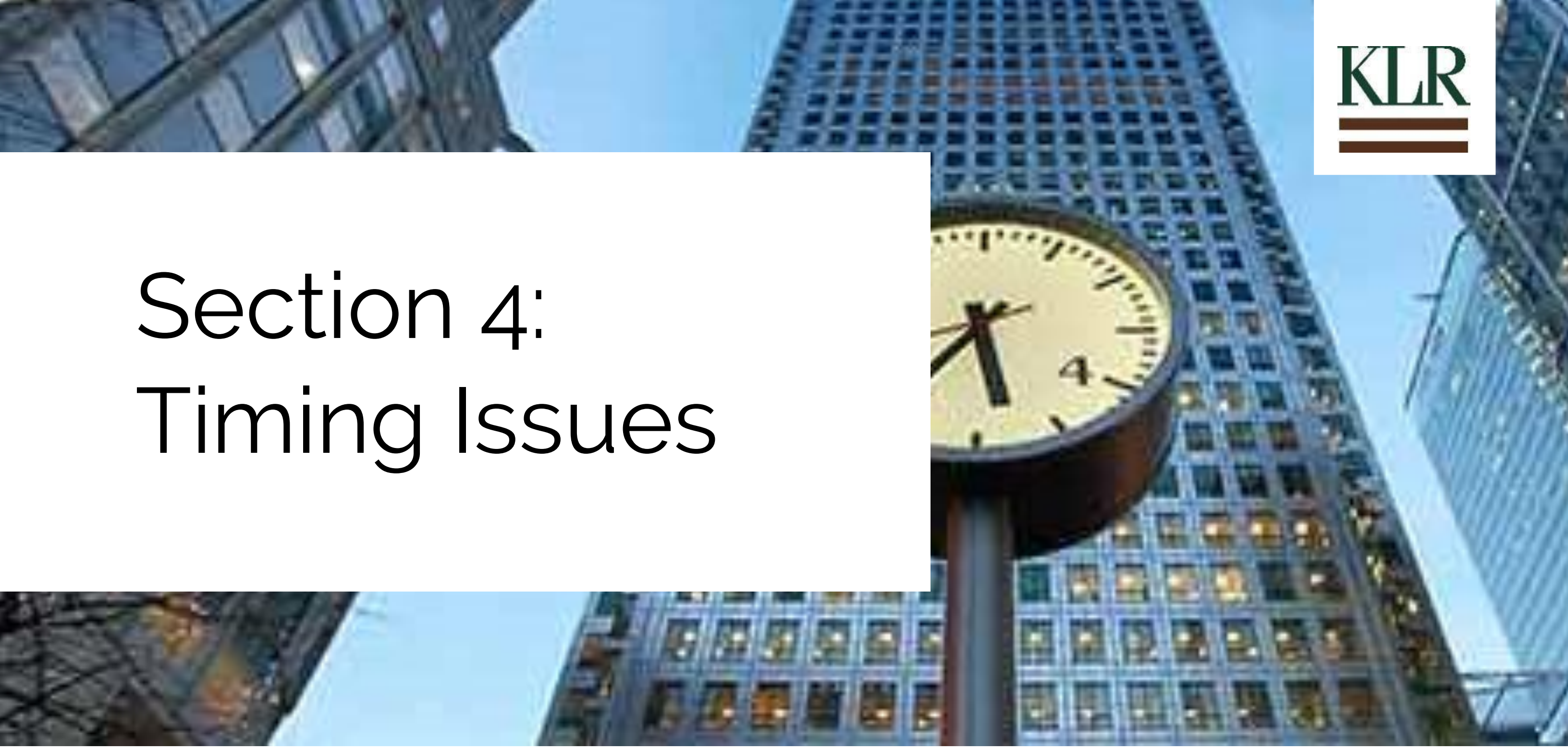
Are You Taking Full Advantage of the QBI Deduction?

Owners of pass-through entities who employ tax deferral strategies — such as claiming first-year depreciation deductions or making large deductible retirement plan contributions — can inadvertently reduce their allowable QBI deduction. While tax deferral merely creates a timing difference, the QBI deduction is a use it-or-lose-it proposition.

To maximize owners' QBI deductions, before year end, a business might need to:

- Increase W-2 wages, or
- Purchase additional assets

If you're thinking about buying or selling a business, taxes are an important consideration. M&A deals should be timed and structured to minimize taxes.



Section 4: Timing Issues

Have you projected Income and Expenses for 2021 and 2022?

Traditionally, it's better to defer tax. However, if you expect tax rates to be higher next year, it might be better to shift income into the current tax year. However, this strategy might not be realistic for businesses with limited cash on hand to pay extra taxes for 2021.

Under current tax law, corporate and individual tax rates are expected to remain stable. But certain taxpayer friendly provisions of the tax law could be reversed or scaled back by proposed legislative changes. In addition, some TCJA provisions are only temporary.

Compared to historical levels, the current rates are relatively low. If you believe that rates will remain stable through 2022, it makes sense to **delay income recognition** until next year and **accelerate deductible expenses** into the current year. This will lower taxable income for 2021.

4 Ways to Minimize Taxable Income for 2021

1. Defer billing for products or services (cash-basis businesses).
2. Defer delivery of products or services (accrual-basis businesses).
3. Charge expenses on a credit card (deductible in the year charged regardless of when the bill is paid).
4. Accrue bonuses for certain employees and pay them within 2.5 months of the tax year end (accrual-basis businesses).

If you believe that certain favorable tax provisions are likely to be reversed or the tax benefits will be reduced in 2022, consider taking the **reverse timing strategy** to maximize business income that will be taxed at today's favorable rates.

Have You Projected Income and Expenses for 2021 and 2022?

For **pass-through entities**, income deferral strategies may reduce an owner's QBI deduction. In some cases, it may be necessary to **boost W-2 wages and purchase additional fixed assets** at year end to maximize your QBI deduction. The rules are complex. We can help evaluate your company's specific tax situation to determine the optimal timing for revenue and expense recognition.

Got NOLs?

The TCJA limited deductions for net operating losses (NOLs) to 80% of taxable income (determined without regard to the deduction). The TJCA also repealed the two-year carryback provision (except for certain farming businesses) for losses incurred after 2017, but it generally allows NOLs to be carried forward indefinitely. In addition, there are unfavorable (but temporary) changes to the rules for deducting pass-through business losses.

The **CARES Act** temporarily eased the rules for deducting NOLs arising in tax years beginning after December 31, 2017, and before January 1, 2021.

The more-restrictive TCJA rules were reinstated for tax years beginning after December 31, 2020.

Small businesses with a loss for 2021 might consider reporting a small amount of taxable income for 2021, rather than take an NOL utilizing tax planning strategies. Doing so can reduce the base for your 2022 estimated tax installments.

To avoid an underpayment penalty, you generally must make estimated quarterly payments equal to the lesser of:

- 90% of the current year's tax.
- 100% of the previous year's tax (assuming prior year tax was greater than zero).

Section 5: Last-Minute Capital Investments

Should You Buy Equipment and Other Assets Before Year End?

Section 179 Expensing

Sec. 179 expensing allows businesses to **immediately deduct** the cost of eligible new or used assets, such as equipment and furniture. You may be able to lower taxable income by accelerating depreciation on assets placed in service before year end. But, remember, it's not enough to simply purchase these assets by year end; they must be up-and-running in 2021 to qualify for Sec. 179.

$1.05 million is the Sec. 179 **expensing limit** for 2021.
The Sec. 179 **phaseout limit** for 2021 starts at **$2.62 million**.

Bonus Depreciation

Under the bonus depreciation program, companies can deduct the full cost of certain *new and used* capital expenditures in the year they're placed in service. This break isn't subject to any spending limits or income-based phaseout thresholds. It applies to

- qualifying property placed in service after September 27, 2017, and before January 1, 2023.
- Bonus depreciation will be gradually phased out, unless Congress extends it.

Important: Not all states allow for bonus depreciation or the higher Section 179 limits.

First-Year Bonus Depreciation Percentages

2018-2022	**100%**
2023	80%
2024	60%
2025	40%
2026	20%

Important: If you expect federal income tax rates to increase under the Biden administration, you may decide to forgo Sec. 179 expensing and bonus depreciation and, instead, depreciate 2021 asset purchases using regular MACRS depreciation schedules. This alternative would increase taxable income in 2021 when tax rates are lower and decrease taxable income in later years when tax rates may be higher. We can help evaluate what's right for your business.

Financing Considerations

The TCJA limited interest expense deductions to 30% of adjusted taxable income (ATI). The limitation applies to C corporations with average annual gross receipts above $26 million for the three-tax-year period ending with the preceding tax year. Other exceptions for auto dealers, farmers and real estate businesses apply.

This limitation also applies to pass-through entities (such as partnerships and S corporations). It applies to these entities if there are losses in the current year being allocated more than 35% to limited partners or limited entrepreneurs (even if the entity's average income is under $26 million).

The limitation on deducting business interest could affect your after-tax cost of capital and may cause you to **lease** (rather than purchase) assets.

Commercial buildings generally don't qualify for bonus depreciation or Section 179 expensing. But a cost segregation study can identify building components that qualify for these breaks. By carving out certain shorter-lived components — like cubicles, carpeting, decorative lighting, signage and parking lots — you can help reduce taxable income.

Section 6: Special Rules for Vehicle Purchases

Do You Know the Limits that Apply to Deductions and Fleet Expansions?

The TCJA expands the **breaks for heavy vehicles** (above 6,000 pounds). New and used vehicles placed in service between September 28, 2017, and December 31, 2026, are now eligible for **100% first year bonus depreciation**, if they're used over 50% in your business.

The limit for "luxury vehicles" has also been increased. For passenger vehicles acquired after September 27, 2017, and placed in service during 2021, you can deduct up to:

Year	Sec. 179	Bonus Depreciation	Total Deduction
1	$10,200	$8,000	$18,200
2	$16,400	-	$16,400
3	$9,800	-	$9,800
4 and beyond	$5,860	-	$5,860

Under current law, these allowances are adjusted annually for inflation.

Additional restrictions may apply if the vehicle is used for both business and personal purposes. If a vehicle is used less than **100% for business**, these allowances are cut back proportionately. If business use is **50% or less**, you must use the straight-line method and can't opt for Sec. 179 expensing. In addition, the **bonus depreciation program disappears after 2026**, unless it's extended by Congress.

Section 7: Research Expenditures

How Much Have You Spent on R&D?

The TCJA includes a provision that requires companies, for tax years starting in 2022, to **capitalize specified research or experimental costs** and amortize them over five years or 15 years for research conducted outside of the United States. It might be wise to accelerate R&D spending at the end of 2021 so you minimize the amount that must be capitalized.

Before this change goes into effect, these costs can be expensed immediately, and you can claim the research credit (if you qualify). Fortunately, the TCJA also preserves the research tax credit.

The IRS has issued new filing requirements for any taxpayer filing an R&D tax credit claim. The goal is for the IRS to determine upfront if such a claim should be accepted or whether further review is required before approval. (Chief Counsel Memorandum 2021410F) outlines what information must be included to claim such credit.)

Research Tax Credit

The research tax credit isn't just for high-tech companies and science labs. Qualified research expenditures (QREs) include a variety of activities that develop or enhance product performance or functionality, manufacturing processes, or information technology. But claiming this credit can be confusing.

Calculating Your Credit

20% of the Excess of Annual QREs Over a "Base Amount" **+** University Basic Research Credit **+** 20% of Qualified Energy Research Expenses Undertaken by an Energy Research Consortium

= Research Tax Credit

The credit is generally for **increasing** your research spending. So, first you need to calculate a fixed-base percentage, and then it's multiplied by annual gross receipts over the preceding four tax years to arrive at your base amount.

Calculating Your Base Amount for Established Firms

Total QREs 1984 – 1988 ÷ Gross Receipts 1984 – 1988

X Average Annual Gross Receipts 2016 – 2020

Base Amount for 2021

Numerous rules and restrictions apply to this calculation. Contact us for more information.

Looking for a simpler way to compute your research tax credit? Consider the **alternative simplified credit**.

Under prior law, businesses that were subject to the alternative minimum tax (AMT) generally couldn't offset the research credit against their AMT liability. Now, the TCJA has eliminated the corporate AMT, and caused fewer owners of pass-through entities to be subject to the individual AMT. So, unused research credits that have been carried forward from prior tax years can be offset against a corporation's tax liability and may even generate a refund (subject to certain restrictions).

For Companies with Annual Receipts of	Research Tax Credit Can Be Taken Against
≤ $50 million	Income or Alternative Minimum Tax (AMT) liabilities
< $5 million	Income taxes, AMT or ≤ $250,000 in FICA taxes annually for up to 5 years

Section 8: HR Decisions

Going forward, businesses will have to make important decisions about whether to continue to offer flexible working arrangements and whether to forgo bonuses and raises in anticipation of more financial struggles. Businesses that offer essential goods and services, along with those that implemented effective pivot strategies during the pandemic, may currently be in a strong financial position. Some may even have plans to hire *additional* workers to keep up with *increased* demand.

Depending on where your business stands, current tax law includes various provisions related to compensation and benefits. Here are some of the major tax-related HR issues employers face today.

Paid Family and Medical Leave

Through 2025, businesses that offer **paid family and medical leave** may qualify for a credit of up to 25% of wages paid during leave, if they meet the IRS requirements. Wages taken into account when computing the **paid leave credit amount under the CARES Act** won't be taken into account when computing this paid family medical leave credit.

For 2020, the Families First Coronavirus Response Act required certain employers to provide their employees with **expanded family and medical leave for specified reasons related to COVID**, as well as expand food assistance and unemployment benefits.

The **CAA extends the small employer credit** to cover leave payments made between January 1, 2021, and March 31, 2021. There's no requirement for small employers to provide emergency sick leave or family leave payments after December 31, 2020. But, between January 1, 2021, and March 31, 2021, employers can choose to collect the credit for *voluntary* leave payments. An equivalent credit is available to self-employed individuals who take qualified leave between those dates.

Repayment of Deferred Payroll Taxes

Employers and self-employed individuals that chose to **defer employer social security taxes** in 2020 will be required to pay 50% of the deferred amounts by December 31, 2021, and the remaining 50% due by December 31, 2022. Penalties and interest will not begin to accrue on the deferred amounts until January 1, 2022.

Employee Retention Credit (ERC)

Business operations that were fully or partially suspended by a COVID-19-related shutdown order and those that experienced a gross-revenue decline of more than 20% when compared to the same quarter in the prior year may qualify for the ERC.

This refundable tax credit equals **70% of wages paid to employees** from January 1, 2021, through September 30, 2021, limited to the first $10,000 of compensation paid to each employee per quarter. Taxpayers that qualify as “recovery startup businesses” can also take the ERC for the fourth quarter of 2021.

Fringe Benefits

Businesses can no longer deduct the costs of **transportation fringe benefits and certain achievement awards** provided to employees. The limits on **deducting company vehicles** also have increased significantly under the TCJA.

Under current law, businesses can generally deduct only 50% of the costs of **meals provided on their premises.** After 2025, the cost of meals provided through an on-premises cafeteria or otherwise on the employer’s premises won’t be deductible. Due to the pandemic, many companies canceled company outings, such as employee retreats, holiday parties and picnics. However, any outings that you did host are still 100% deductible — if the entire staff was invited. Business meals provided by a restaurant that are paid or incurred in 2021 and 2022 are 100% deductible.

Employees must claim **moving expense reimbursements** as taxable income. Consider grossing up moving allowances to account for the incremental taxes employees will owe.

Expense Reimbursement

Employees can no longer claim itemized deductions for **unreimbursed business expenses.** If you don't already have an **accountable plan** in place to reimburse your employees for out-of-pocket business expenses — including costs incurred while working from home offices during the pandemic — consider implementing one before year end.

Compensation Matters

Qualified employees can defer taxable income for up to five years from exercising a stock option or receiving restricted stock. **Stock-based compensation** can be an attractive perk, especially for firms that are strapped for cash.

Watch for state-specific guidance on telecommuting issues and how each state is responding to remote work assignments in terms of creating nexus for businesses, payroll issues, etc.

$1 million is the **limit on annual officers' compensation for public companies** under current law. Amounts above this limit generally aren't deductible for federal tax purposes. But there are no longer exceptions for excess compensation attributable to commissions and performance-based compensation.

Employers may need to revise their compensation and benefits packages to comply with current law and ensure their offerings remain competitive in today's tight labor market. Some benefits that aren't deductible under the TCJA may need to be discontinued.

Retirement Benefit Plans

Do you offer a **tax-favored retirement plan** to help owners and employees save for retirement? Current retirement plan rules allow for significant deductible contributions. From SEP-IRAs to 401(k) plans, there are a variety of options available, depending on the size and nature of your business.

The **SECURE Act** made changes to encourage employers to help workers save for retirement. Notably, the law requires employers to allow part-time workers who have either worked at least 1,000 hours in one year or three consecutive years of at least 500 hours to participate in retirement plans. It also increases the tax credits for eligible small employers that adopt a new qualified retirement plan, SIMPLE-IRA plan or Simplified Employee Pension (SEP) plan.

In addition, for tax years beginning after 2019, the SECURE Act creates a new tax credit of up to $500 per year for small employers that establish new 401(k) plans or SIMPLE IRA plans that include an **automatic enrollment feature**. This credit is also available to small employers that modify existing plans to include an automatic enrollment feature.

The SECURE Act also **extends the deadline for setting up a retirement plan** to the due date (including any extensions) for the employer's return for the tax year for which you want the plan to become effective.

There is one important exception: The deadline to establish a SIMPLE-IRA plan is still October 1 of the year for which the plan is to take effect.

Do You Qualify for the Work Opportunity Tax Credit (WOTC)?

The WOTC can significantly reduce your tax bill, if you hire workers from certain "target" groups before year end. This break has been extended through 2025.

Common WOTC Target Groups

- Veterans
- Ex-felons
- Temporary Assistance for Needy Families (TANF) recipients
- Supplemental Security Income (SSI) recipients
- Food stamp recipients
- Individuals who have been unemployed for at least 27 weeks

Credit Amounts

These dollar amounts apply for targeted individuals employed more than 400 hours. Some credits may apply for individuals working less than 400 hours.

$2,400 is the typical WOTC for each qualifying new hire.

$4,000 is generally available in the first year for hiring a long-term recipient of TANF.

$4,800 is generally the maximum WOTC for hiring a disabled veteran.

$5,600 is generally the maximum WOTC for hiring a nondisabled veteran who's been unemployed for six months or longer.

$9,600 is the maximum WOTC for hiring a disabled veteran who's been unemployed for six months or longer.

Section 9: ACA Compliance

Could You Be Hit With Shared-Responsibility Provision Penalties?

The **Affordable Care Act (ACA)** remains the law, despite several repeal attempts in recent years. It imposes a penalty on “large” employers if just one full-time employee receives a premium tax credit. This credit is available to people who enroll in a qualified health plan through a government-run Health Insurance Marketplace and meet certain income requirements — but only if:

1. They don’t have access to “minimum essential coverage” from their employer, or
2. The employer coverage offered is “unaffordable” or doesn’t provide “minimum value.”

Shared-Responsibility Requirements in 2021

Full-time-employee (or equivalent) threshold for large employers	50
Percentage of full-timers that must be offered minimum essential coverage	95%

If You Fail to Provide Minimum Essential Coverage …
$2,700 is the 2021 penalty **per full-time employee *in excess of 30***.

If the Coverage You Offer Is Unaffordable or Doesn’t Provide Minimum Value …
$4,060 is the 2021 penalty **per full-time employee who has received a credit —** or **$2,700 per full-time employee *in excess of 30*,** if that amount is less.

When Are ACA Filings Due?

ACA Filings - Send 2021 Forms 1095-B, Health Coverage, and 1095-C, *Employer-Provided Health Insurance Offer and Coverage Insurance*, to individuals by March 2, 2022. (This deadline has been permanently extended from January 31.)

File 2021 Forms 1094-B, 1095-B, 1094-C and 1095-C with the IRS by February 28, 2022, if not filing electronically, or March 31, 2022, if filing electronically.

Do You Qualify for the Small-Business Health Care Credit?

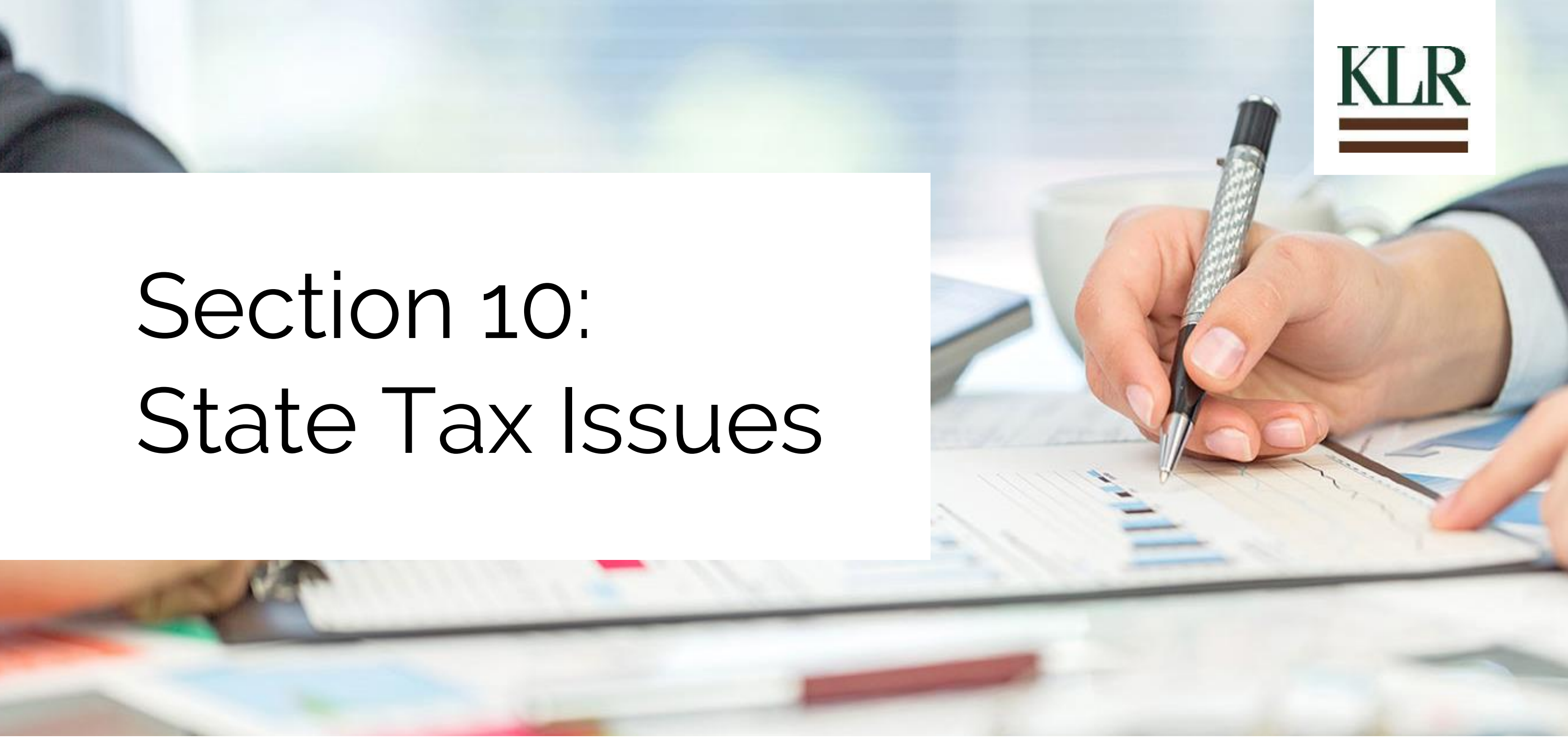
Employers with 25 or fewer full-time equivalent employees (FTEs) may be eligible for the **Small-Business Health Care Credit** if certain conditions are met. Contact us to see if you qualify for 2021.

Various rules and restrictions apply.

Other Health Benefits - In addition to offering health care coverage, employers might want to consider offering other health-related benefits to workers, such as:

- Health savings accounts (HSAs)
- Flexible spending accounts (FSAs)
- Health reimbursement accounts
- Wellness programs

Besides benefiting from a healthier, more productive workforce, employers who provide these benefits may reap various tax breaks.



Section 10: State Tax Issues

Do You Sell Products Online?

States have the right to require online businesses with no physical presence in the state to register as a vendor and collect sales tax on their sales. Most states have enacted these types of laws to generate additional tax revenue and achieve parity with brick-and-mortar retailers.

Each state sets its own rules for establishing nexus. We can help you comply with these evolving regulations and discuss ways to minimize your exposure to **back taxes** on Internet sales.

Multistate Tax Issues

If you do business in multiple states, ask yourself three questions:

1. Where do you derive sales and in which states do your customers benefit from the sale?
2. Where do your employees or subcontracted representatives or agents perform duties at your request?
3. Where do you own property?

To Conform or Not to Conform?

Many states model their tax laws on the federal tax laws. But some states have decided to decouple from certain provisions of current tax law. One area that federal and state tax laws may not sync for businesses is the expanded Sec. 179 expensing and bonus depreciation deductions. Another is the complicated QBI deduction for pass-through entities. Some deductions at the federal level may not necessarily apply at the state level.

Share This Guide

December 31 is an important tax deadline that you might not be aware of: with a few exceptions, it's the date by which most of your tax planning strategies must be implemented to reduce your 2021 tax bill.

Contact our tax team to set up a meeting to brainstorm financial planning strategies to help your business succeed in the future — and minimize your tax obligations for 2021.

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Loree is Chair of the firm's Corporate Tax Group. She has over 25 years of experience providing tax advisory services to closely held, medium sized and publicly held businesses and has expertise in large to mid-size entity tax issues including ASC 740, tax planning and compliance.

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