



COUTO DEFRANCO, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# ONLINE ADVISOR

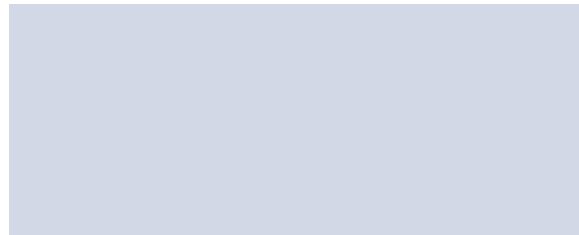
JULY 2020



Remember, July 15 is now the tax filing due date because of the pandemic! It also means you may have a tax payment due on or before July 15. And if you have not yet received your federal stimulus check, this month's newsletter tells you what you should do. Also included is a recap of recent news that gives business owners more flexibility for getting your PPP loan forgiven.

Please call if you would like to discuss how this information could impact your situation. If you know someone who can benefit from this newsletter, feel free to send it to them.

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## You May Owe a Tax Payment This Month

### Find out if you owe the IRS an estimated tax payment

You may owe the IRS a tax payment for your 2020 tax return and not know it. Most Americans have income taxes withheld from their paychecks, with their employer sending a tax payment to the IRS on their behalf. This year, however, many more Americans will have to write Uncle Sam a check to pay a portion of their 2020 taxes on or before July 15. You may be one of these people!

#### Who needs to pay now!

You may need to make a payment if one of the following situations applies to you:

- **Paychecks are under-withheld.** Your employer withholds a portion of your paychecks for income tax purposes, then submits a payment to the IRS on your behalf. The amount that is withheld from your paychecks, however, may not cover your entire tax liability, resulting in you needing to write the IRS a check. If you're not withholding enough, ask your employer to increase the withholding amount from your future paychecks so you don't come up short again in the future.
- **Unemployment compensation paychecks are under-withheld.** Unemployment compensation is



## My Stimulus Payment is Wrong or Missing!

Millions of Americans already received their economic impact payment. But what if you're still waiting or your payment was for an incorrect amount?

Here are some common scenarios why you may not have received your payment, or the payment you did receive was for an incorrect amount, and what you can do.

- **Your payment was sent to a closed bank account.** If you didn't update your banking information or mailing address before your payment was processed, your money will probably end up in the wrong location.

***What you can do:** You probably must wait. If your bank account on file with the IRS is closed or no longer active, the bank will reject the stimulus payment deposit and you will be issued a physical check to the address the IRS has on file for you.*

- **Your check was sent to a wrong address.** The IRS will send stimulus

subject to federal income tax and subject to income taxes in several states. While some unemployment benefit checks withhold a percentage of your payment for income tax purposes, you may need to pay more in taxes than is being withheld.

- **Self-employed workers.** Unlike employees, self-employed workers don't have income tax withheld from pay and must make four estimated tax payments over a period of 12 months. Self-employed workers include gig economy workers, freelancers, S corporation shareholders and partners in a partnership.
- **Retirees.** You may owe tax on Social Security benefits, as well as income from investments distributed to you or other unearned income. A portion of pension plan distributions may be withheld, but many times the amount withheld does not cover your entire tax liability, resulting in an underpayment.
- **Sold a major asset.** You may owe tax after selling an asset that results in a large capital gain, such as a house, or from the sale of securities.
- **Receive alimony.** If you're being paid alimony under a divorce decree entered into before 2019, the payments constitute taxable income to you. Alimony from post-2018 agreements, however, are not taxable.

### What you need to do

Estimate your total income for 2020, then calculate your total 2020 tax bill and divide it by 2. Compare this amount to how much has been withheld from your paychecks, unemployment benefits and any other payments you've made to the IRS. If you're short, consider making an estimated payment by July 15 to make up the difference. This payment is made with Form 1040-ES.

If you do not make this payment on time, the IRS may impose a penalty plus interest on top of the underpaid taxes. Fortunately, you can avoid a penalty by paying at least 90% of the current year's tax liability or 100% of the prior year's tax liability (110% if your adjusted gross income for the prior

checks to the mailing address listed on your most recently-filed tax return. The IRS will also mail a letter with information about how and where the stimulus payment was made, but this letter will go to the most recent address on file.

**What you can do:** Change your address on file with the IRS by filing Form 8822. While it won't solve your immediate problem, your change will correct future issues. In the meantime, keep tracking the status of your payment by visiting the website [Get My Payment](#). You can also try and contact the new people who live at your old address.

- **You didn't get paid for your dependents or you think your check amount is incorrect.** You are certain that you should have received a full \$500 payment for each qualifying dependent and the payment was either not received or was for an incorrect amount.

**What you can do:** If you did not get the full amount you think you should have received, you will be able to claim the additional amount when you file your 2020 tax return.

year exceeds \$150,000).

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## Small Business Owners Get Good News on PPP Loan Forgiveness

Small business owners, self-employed workers and freelancers received some welcome news when Congress recently passed the Paycheck Protection Flexibility Act. This new law clarifies how businesses can qualify to have all or a portion of its Paycheck Protection Program (PPP) loan forgiven. Here is what you need to know:

### **December 31, 2020 is the new deadline to spend loan proceeds.**

When the PPP program was rolled out this spring, businesses were given 8 weeks after loan funding to use the loan's proceeds if they wanted to qualify for loan forgiveness. That timeline has now moved to 24 weeks. Due to the extended stay-at-home orders and further assessment of the pandemic, the new deadline is now effectively December 31, 2020.

**More loan proceeds can be used for non-payroll expenses.** The original law required 75% of loan proceeds to be

- **You received a check for a deceased relative.** With more than 300 million people living in the U.S., it probably shouldn't be a surprise that some of the stimulus checks were mailed to deceased individuals. Unfortunately for living family members, you can't keep this money.

**What you need to do:** *You should open the check, write VOID on the check and then return it to the IRS. If the payment was via direct deposit or a check received from the IRS was already cashed, you should write a personal check to the IRS to return the money.*

Receiving the wrong amount of money in your stimulus check or not receiving a check at all can be very frustrating. But be reassured the IRS is doing everything it can to help you get the correct amount of money that you deserve.

**More information:** If you have other questions or concerns, the IRS has a question and answer resource. [Click here to read through the IRS Q&A.](#)

spent on payroll. For businesses with high cost of goods sold or who had trouble convincing furloughed workers to return to work, hitting this 75% threshold was problematic. The new law reduces the amount of loan proceeds required to be spent on payroll to 60%.

**More flexibility in fully restoring workforce.** Borrowers now have through December 31, 2020 to restore their workforce levels and wages to the pre-pandemic levels required for full forgiveness. There are three exceptions allowed for not having a fully-restored workforce by Dec. 31. Borrowers can adjust their loan forgiveness calculations because of:

- Employees who turned down good faith offers to be re-hired at the same hours and wages as before the pandemic;
- Difficulty finding qualified employees;
- COVID-19 related operating restrictions

**Loan terms extended.** For loans that do not qualify for forgiveness, borrowers now have up to five years to repay the loan instead of two. The interest rate remains at 1%. Since your bank has 60 days to process your loan forgiveness application and the SBA has 90 days to process the request, your initial payment is now effectively five to six months after your forgiveness application.

### What you need to do

- **Download EZ Application Form.** If you are a self-employed worker, independent contractor or sole proprietor who has no employees, you may be eligible to use the EZ Loan Forgiveness Application. [Click here to download](#) the EZ form. [Click here to download](#) instructions for the EZ form.



## How Stay-at-Home Orders Change Money Habits

The most fruitful periods of growth often happen when they are the least expected. Teachers and parents call them teachable moments. By reflecting on how you handle the situation, you can learn a lot about yourself. The disruption caused by this year's pandemic is a massive teachable moment for all of us regarding money. Here are three ways you can take advantage of our recent stay-at-home orders to improve your spending and saving habits.

**Take a different approach to tracking your spending.** No matter who you are, your spending habits have changed during the pandemic. For example, more money is being spent at the grocery store and less on eating out and entertainment. And if you own a home, odds are you're investing more in your house projects than you have in the past.

By taking away the ability to spend on things

- **Download Regular Application Form.** If you aren't eligible to use the EZ Loan Forgiveness Application, then you'll need to complete the regular loan forgiveness application. [Click here to download](#) the regular application.
- **Stay in contact with your lending institution** about when and how to complete the loan forgiveness application.
- **Consider reaching out to your legislators** to let your voice be heard on how you were impacted and to share your story on your PPP loan experience as several U.S. Senators indicated that there will be more changes in the future regarding the program.

we would normally purchase, stay-at-home orders offer the opportunity to learn about the things that bring us joy. Look at your purchases over the last month and note which ones were worth the money. Then think about the things you miss the most. Maybe it's going out to eat with friends or attending a concert or a sporting event. This exercise will give you a snapshot of what type of spending is the most satisfying for you and will help your decision making in the future.

**Save, save, and save some more.** If you learn one thing from this pandemic, it's that nothing is certain. Circumstances can change in an instant and even the best plans can be tossed to the side at any moment. If you are fortunate enough to have consistent income, now is the time to start building your emergency and retirement funds. Instead of diverting funds to your entertainment budget, put it in savings. You never know when the next income-altering event will arise, so stuff that financial cushion while you have the chance.

**Create a habit of giving.** With unemployment rates in some places as high as we've seen since the Great Depression, there are plenty of opportunities to help those in need. If you have some extra cash, now is a great time to increase your giving. Beyond the positive impact to others and your community, studies show that giving can make you feel happier, provide greater life satisfaction, and even

activate reward centers in the brain (according to the University of Oregon). On top of all that, you may be able to deduct your contributions on your taxes — just make sure to give to qualified 501(c)(3) charities.