

# LEVIN, SILVEY, ZELKO & MACKEY, P.A.

*Certified Public Accountants*

MITCHELL H. SILVEY, CPA  
ROBERT A. ZELKO, CPA  
BONNIE L. MACKEY, CPA, CSEP, MBA, AEP®

2699 STIRLING ROAD, SUITE B-205  
HOLLYWOOD, FLORIDA 33312-6543  
(954) 985-8808  
(954) 985-8839 (FAX)  
WWW.LSZCPA.COM

## Tax Tips and Highlights for 2020-2021

### Payroll Tax Issues

In November 2020, you should have received "Your Year 2021 Federal Tax Deposit Requirements" from the IRS, your annual Unemployment Compensation Tax Rate Notice for 2021, and notification from the state if you are required to file unemployment forms and taxes electronically. These notices should be forwarded to your payroll service, and a copy to us.

The taxable wage base for Social Security in 2020 was \$137,700 and will increase to \$142,800 for 2021, bringing the maximum social security tax to \$8,853.60 (6.2% for each Employer and Employee). Medicare wages are taxed at 1.45% with no limit. Wages paid by a sole proprietor to a son or daughter under the age of 18 are exempt from social security, Medicare and FUTA taxes (under 21 exempt from FUTA).

**Bonus checks are considered earned income and are subject to payroll taxes**, as well as **per diem** expense reimbursements. The IRS requires employers to track expense reimbursements in excess of federal per diem rates. For annual wages over \$200,000, the employer must withhold an additional 0.9% of Medicare tax, but does not match it like the 1.45%.

IRS maintains a zero tolerance for incorrect W-2s and 1099s. A **\$270 penalty** per incorrect form could be assessed against employers whose forms have mismatched names and social security numbers. You can verify names and numbers by registering online at [www.ssa.gov/bso](http://www.ssa.gov/bso) or visiting their website at [www.ssa.gov/employer](http://www.ssa.gov/employer) for larger groups. You can no longer verify by phone.

### Employee versus Independent Contractor

Under common-law rules, an individual generally is an employee if the company he works for has the right to control and direct him regarding the job he is to do and how he is to do it. Otherwise, he is an independent contractor. Any individual independent contractor (including LLCs & partnerships) receiving compensation of \$600 or more for the year must be issued a 1099-MISC. In addition, ALL attorneys who were paid \$600 or more (including settlements) must be issued a 1099-MISC, as well as anyone you pay Rent to. **Corporate tax returns now have a Y/N question to answer whether or not 1099s were required and filed. A penalty of \$550 per form is assessed OR 10% of the amount required to be reported, if not filed, AND THERE IS NO MAXIMUM PENALTY!**

### Code Section 179 and/or Bonus depreciation expensing

The maximum annual expense amount is \$1,000,000, for total annual purchases not exceeding \$2,500,000 on new or used equipment. Bonus depreciation of 100% is available for new or used equipment through 2022, then gradually phases out.

### Company Provided Vehicles

**Employees and owners are taxed for the personal use of any employer provided vehicle.** Specifically, their gross income on Form W-2 is increased to the extent the fair market value of this benefit exceeds the amount paid, if any, by them. This fringe benefit is subject to payroll taxes and should be withheld from the employee's salary by yearend.

### 2021 Standard Mileage Rates

For the business use of a car, van or truck use .56 cents per mile (down 1.5 cents from the 2020 rate). When computing deductible medical or moving expenses, use .16 cents per mile (down 1 cent from the 2020 rate). You may also deduct 14 cents per mile when providing services to a charitable organization.

### Qualified Pension Plan Contribution Limits for 2020 and 2021

There are several employer-sponsored tax-deferred retirement plans that were affected by 2001 legislation, all of which have increased contribution limits. The most common is the 401(k) having a contribution limit of \$19,500 for both 2021 and 2020. Many of the plans (401(k), 403b, 457) also have "catch-up" contributions for employees age 50 or older of \$6,500. Under Section 415(c), the limit increases from \$57,000 to \$58,000. SIMPLE 401k and IRAs remain at \$13,500.

### Annual gift exclusion

The annual gift exclusion for is **\$15,000**. In addition, the individual lifetime exemption of \$11.58 million for 2020 is adjusted annually for inflation thru 2025.

### Standard deduction vs. itemized deductions (no longer dependency exemptions since 2018)

The 2020 amounts are \$12,400 for single or married filing separately, \$18,650 for heads of household and \$24,800 for married filing jointly. If itemized deductions are more, then deduct the higher amount. However, **unreimbursed business expenses are no longer deductible.**

*Please keep in mind that we've described only highlights and some of the changes in the tax rules. There are many more questions and opportunities for proper tax planning. Please give us a call on how you may be affected by these important tax issues.*