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Bormel, Grice & Huyett, P.A. • 14409 Greenview Drive, Laurel Maryland 20708 **Volume 57, Winter 2021-22**
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HAPPY HOLIDAYS FROM BGH

Thank you to all of our clients, contacts, and staff!

*Happy Holidays &
a Prosperous New Year!*

From our family to yours —
the **Partners** and **Staff** of
BORMEL, GRICE & HUYETT, P.A.



Tax Planning For 2021

The two synonyms that describe tax planning since the outset of the coronavirus pandemic in March of 2020 are “ambiguity and uncertainty.” In 2020, there were many temporary tax law changes enacted in the CARES Act. Some have expired in 2021, while others have been extended or expanded by the Consolidated Appropriations Act (CAA) enacted in December 2020 and the American Rescue Plan Act (ARPA) signed into law in March 2021. The recent Infrastructure Investment and Jobs Act, just passed on November 6, 2021, has very few tax provisions. Alternatively, the Tax Cuts and Jobs Act (TCJA) that was enacted at the beginning of 2018 still has a significant impact on current tax planning. With the shift in political control in Washington, the trends in the U.S. economy and the continuing impact of the pandemic, there may be additional tax law changes in the immediate future. The goal of this brief article is to outline what is known now for the 2021 tax year.

For 2021, careful tax planning and the timing of income and deductions is still important. If you do not expect to be subject to the alternative minimum tax (AMT) in 2021 or 2022, it may be a good idea to defer income into 2022 and accelerate deductions into 2021. If you have

reasons to expect the tax rates to go up in 2022, the opposite may be the best approach. You may be able to control the timing of some of your income. Income items such as bonuses, self-employment income and retirement plan distributions (to the extent they will not be subject to early withdraw penalties and are not required minimum distributions) are some examples. The sale of investments through bunching realized gains with losses and holding investments at least a year are other examples of controlling income timing. Also consider itemized deductions that are potentially controllable, items like mortgage interest and charitable deductions.

Under the TCJA for 2021, the state and local taxes (SALT) deduction for individual taxpayers is still capped at \$10,000 and the 2% miscellaneous itemized deduction is suspended, so increasing payments for these items has limited impact on your deductions, if you itemize. The adjusted gross income (AGI) threshold for medical deductions originally at 10% under TCJA, was made permanent at 7.5% in late 2020 under CAA. Two taxes for higher income earners from earlier tax laws still apply for 2021:

Continued →

BARRY FIELDS ADMITTED AS A PARTNER WITH OUR FIRM



We are pleased to announce that Barry Fields was admitted as a partner to our firm in January 2021. Barry has been with the firm since 2009. Barry graduated from Boston University in 1992 with a Bachelor of Science in Business Administration and from the University of Baltimore in 2006 with a Master of Science in Taxation.

He is licensed as a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants and the Maryland Association of Certified Public Accountants. He has extensive experience in the areas of real estate, professional services, partnerships, and individual taxation.

Barry lives in Howard County with his wife, Rebecca, and their two children.

Tax Planning For 2021 *Continued*

the 0.9% Medicare tax on wages and self-employment income exceeding \$200,000 (\$250,000 MFJ) and the net investment income tax which equals the lesser of 3.8% of the lesser of net investment income or the amount by which modified AGI exceeds \$200,000 (\$250,000 MFJ). For retirees, the required minimum distribution (RMD) has returned for 2021, so if you took the RMD waiver in 2020, please take care that you are taking your RMDs from IRAs and your defined contribution plans this year. If you were born after June 30, 1949, you now are not required to take your first RMD until you reach the age of 72, not 70-1/2.

For businesses, the amount of income that can be offset by net operating losses carry forwards temporarily set at 100% in 2020 reverts back to the TCJA 80% limit in 2021. Also, the temporary loss carryback ends in 2021. Business losses for pass-through entities revert back to a limit of \$250,000 (\$500,000 for married couples filing jointly) as an offset to other income in 2021, with any excess loss being carried forward to later years. The CARES Act had temporarily lifted these TCJA limits for 2020. A temporary tax change from the CAA that impacts 2021 and 2022 is the 100% deductibility of business meals. These meals have to be

purchased from a restaurant. As in the last few years, entertainment expenses are not deductible.

The IRS is increasing its scrutiny of cryptocurrency. If you own any cryptocurrency, please be aware that the same rules apply as to any capital asset such as a stock or mutual fund. When you sell it, rules like cost basis and holding period (short term and long term) apply. Also, please be aware if you are trading on foreign exchanges such as Hong Kong or London, you may be subject to foreign reporting if the value of your foreign assets exceed \$10,000 any time during the year.

Finally, for those of you who directly invest in real estate, favorable accelerated and bonus depreciation expense on qualified business property is still available for 2021. If you are considering a sale of appreciated real estate before year-end, please consider using either installment sale or a section 1031 exchange to defer the tax on the sale.

If you have any questions or concerns about the items discussed in this article or want to discuss your particular tax situation for 2021, please reach out to us. ■

Infrastructure Investment And Jobs Act

The \$1.2 trillion bill was signed by the President on November 15, 2021 with little changes to the income tax code. The bill includes funding of about \$550 billion of new federal investments in the country's infrastructure over a five year period. The new legislation is designed for improvements to the nation's roads, bridges, public transit systems, railways, power grids, airports, broadband internet and drinking water. It also includes some climate-related provisions to address pollution and climate change.

The act does include some new tax law changes with respect to private activity bonds, excise taxes and an extension of highway trust fund

provisions. Also, the act does require increased reporting requirements on cryptocurrency transactions (effective beginning in 2023) and the early termination of the employee retention credit for businesses closed due to the COVID-19 pandemic. The credit originally applied to wages paid from July 1, 2021 to December 31, 2021. The act shortens the applicable period for wages paid through September 30, 2021. ■

When Should I Start Collecting My Social Security Benefits?

You can claim Social Security as early as age 62, but many experts tell their clients to put off filing for benefits as long as possible. There is no denying this will maximize your monthly payments, but there may be other factors that affect this decision.

Clients ask us should we start our benefits earlier at a reduced amount, or start later at a higher level? By delaying, your eventual Social Security benefits will keep rising until you hit 70. But other factors help to determine the best age for you to claim benefits, including your physical well-being, marital status, financial needs and job satisfaction. Here are some key things to consider.

- If you have reasonable expectation of living many years past retirement, postponing benefits to get a bigger payment could prove important to your long-term financial stability. However, if you turn 62 in poor health or have a genetic predisposition to certain illnesses, you may decide it makes more sense for you to begin collecting early.
- Many older workers are being forced into early retirement as companies downsize. If you find that you need funds to cover expenses, filing for Social Security at age 62 and taking lower benefits may be what you need to make ends meet.

- There are strong arguments for waiting as long as you can: Filing earlier locks you into a lower benefit, **permanently**. You are not entitled to 100 percent of the benefit unless you apply at your full retirement age (currently 66 and 2 months, set to rise to 67 for people born in 1960 or after).
- Continuing to work does not reduce your benefits once you reach full retirement age. Before then, you are subject to earnings limits that could trigger a reduction in Social Security payments.
- From full retirement age until 70, you can earn delayed retirement credits. These boost your eventual benefit by two-thirds of 1 percent for each month of delay and increase survivor benefits for your spouse, if you die first.

Regardless of when you claim Social Security benefits, the sign-up age for Medicare is still 65. You can not enroll earlier, except under very narrow circumstances, and you may incur additional fees for signing up later. ■

Tax Due Date Calendar

January 18

- Final installment of 2021 estimated tax by individuals and trusts due

January 31

- Last day to paper or electronically file W-2's and 1099-NEC
- Last day to receive W-2 forms and most 1099 statements from your employer, banker, broker, etc.
- Fourth quarter 2021 payroll tax returns and annual federal unemployment returns due

February 28

- Paper file Forms 1098, 1099, and W-2G
- If Forms 1098, 1099, or W-2G are filed electronically, the due date for filing with the IRS and SSA is extended to March 31, 2022

March 15

- S Corporation and Partnership income tax returns for calendar year 2021 due
- Last day for calendar year S Corporations and Partnerships to file Form 7004, an automatic six-month extension of time, for 2021 income tax returns

- Last day for business entity to elect S-corporation status beginning as of January 1, 2022 by filing Form 2553

April 15

- Individual income tax returns or Form 4868 (automatic six-month extension) plus payment of any 2021 tax liability due
- First quarter installment of 2022 estimated tax by individuals and trusts due
- C Corporation income tax returns for calendar year 2021 due or last day for calendar year C Corporations to file Form 7004, an automatic six-month extension of time for 2021 tax returns plus payment of any 2021 tax liability due
- 2022 Maryland personal property tax returns due
- Last day for making 2021 IRA contributions
- Gift tax returns (Form 709) and payment of any gift tax due for 2021. If your income tax return is extended, the gift tax return will automatically be extended for six-months, or otherwise file Form 8892

- Calendar year fiduciary income tax returns and requests for 5½ month automatic extensions due

- First installment for corporation estimated income tax due for 2022

- FinCEN 114 is due

May 2

- First quarter 2022 payroll tax returns due

June 15

- Second quarter installment of 2022 estimated tax by individuals and trusts due
- Second quarter of 2022 estimated tax is due by calendar-year corporations

August 1

- Due date for 2021 Annual Return/Report of Employee Benefit Plan (Form 5500)
- Second quarter 2022 payroll tax returns due

September 15

- Third quarter installment of 2022 estimated tax by individual, trusts and estates due
- Payment of third installment of 2022 estimated tax by calendar-year corporations

- Last day of filing 2021 Form 1065 for Partnerships and Form 1120S for S Corporations that obtained an automatic six-month extension

September 30

- Form 1041 extended due date

October 17

- Last day for filing 2021 income tax return by calendar-year corporations that obtained an automatic six-month filing extension
- Last day for filing 2021 individual income tax returns for those who obtained an automatic six-month filing extension
- Form 5500 extended due date

October 31

- Third quarter 2022 payroll tax returns due

December 15

- Payment of last installment of 2022 estimated tax by calendar-year corporations is due

If you have any questions about these new due dates, please feel free to call our office.

Advance Child Care Credit

The American Rescue Plan (enacted in March 2021) increased the Child Tax Credit from \$2,000 to \$3,000 per child over the age of six and from \$2,000 to \$3,600 for children under the age of six. The legislation also raised the age limit from 16 to 17 and included a provision for advance payments.

Advanced child tax credit payments are early cash payments from the IRS representing 50 percent of the estimated amount child tax credit that will be claimed on your 2021 tax return filed next year. The 50 percent estimate is based on your most recently filed tax return (either 2020 or 2019) as of July 2021. The six-monthly payments began in July and will end in December 2021. The payments were either deposited in your bank account or mailed to you.

You should have received Letter 6417 from the IRS prior to receiving your first payment. If you received the advance child tax credit payments,

you should receive IRS Letter 6419 in January 2022. The IRS Letter 6419 reflects the total amount of advance child tax credit you received for the last six months of 2021. Please keep IRS Letter 6419 with your tax records as the total amount of advance tax credit payment will be needed in preparing your 2021 tax return next year. ■

Top 100 Accounting Firms for Work for 2021

The Certified Public Accounting firm of **Bormel, Grice & Huyett, P.A.** was named one of the **2021 Best Accounting Firms to Work for**. Our firm was selected as the 36th best firm to work for in the USA. The annual list of "Best Accounting Firms to Work for" was created by **Accounting Today** Magazine and Best Companies Group and co-sponsored by ADP.

Founded in 1968 and celebrating 53 years of service, Bormel, Grice & Huyett, P.A. is one of the Baltimore Washington Corridor premier accounting firms, providing the highest quality accounting, tax, audit, financial, business and professional services to both individual and organizations. The firm provides industry expertise in a number of areas such as not-for-profits, real estate, construction, and professional service providers.



BGH Community News

The 2021 BGH Staff Awards were presented to the following very deserving staff members.



Superstar
Matthew Bormel

Award of Appreciation
Laura Quinn

Thumbs Up
Ron Rendle



Laurel Historical Society
Bette Anne Sanders
Ann Bennett
Kathy Grice



Patrons for Peace
Barry Fields
Ruth Walls
Larry Bormel

BGH welcomed new team members **Ryan Lynch**, **Tiffany Murphy** and **Chris Kotler** to our firm.



Ryan graduated from Towson University and has 15 years of accounting experience. He lives in Lutherville, Maryland with his wife, Karen, and their three sons. Ryan enjoys spending time with his family.



Tiffany has 20 years of experience working in public accounting. Tiffany graduated from University of Maryland, University College and lives in Springdale, Maryland with her husband, Dennis. She has five children and four grandchildren and enjoys international travel.



Chris has over 20 years of experience managing the day-to-day operations of professional service firms. She has two sons, Joe and Hank, and lives just outside Annapolis. Chris loves sightseeing and the outdoors.

Our firm raised funds from their Company silent auction in August 2021. With additional employee contributions, we were able to give a donation of \$1,000 to each of these well deserving organizations, Patrons for Peace and the Laurel Historical Society. Thank you to our staff for their participation and for the many donated items that helped us raise this money.

Tenant space available in 20th hole office building at the greens of PATUXENT!

20TH HOLE, LTD. has suites available for occupancy up to 1,200 square feet available located at 14409 Greenview Drive, Laurel, MD 20708.

Please call **Tina Megofna** at **(301) 953-3259** for further information.

The BGH UPDATE is published for our clients, staff, and professional contacts. Copies will be provided to other business people upon written request. Any action based on information contained herein should be taken only after a detailed review of the specific situation.

The following members of our firm have contributed to this edition:
Larry Bormel, Barry Fields, Steve Hartong, Dawn Milam, April Miller, Mike Myers and Sherrie Williams.