



2020 Tax Year Memorandum December 31, 2020

In the waning days of 2020, Congress passed a new economic relief package for individuals and businesses. The bipartisan bill was signed into law on December 27, 2020.

Among numerous other changes, the new law provided another round of economic stimulus payments, extends unemployment benefits and restores forgivable small business loans under the Paycheck Protection Program (PPP). It also addresses certain tax-related provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other tax issues.

For instance, the new law allows businesses to deduct costs relating to PPP loans. Previously, the IRS had issued guidance stating that these expenses were not deductible. In addition, the new law authorizes a deduction of 100% of business meal expenses for 2021 and 2022, instead of the usual 50% limit. Furthermore, it extends various other provisions, such as the lower medical deduction floor based on 7.5% of adjusted gross income (AGI), and restructures employer tax credits for retaining employees and offering paid family and medical leaves.

This letter is intended to serve only as a general guideline. If you have any questions about how this new legislation affects your 2020 returns or any other tax matters, please do not hesitate to contact our office. *We would be glad to schedule a time to discuss your personal situation.*

We appreciate and value your business and the opportunity to serve you.

Sincerely,

Whaley Hammonds Tomasello, P.C.