TAX AND WEALTH ADVISOR ALERT: REMINDER–DEADLINE FOR Q2 ESTIMATED TAX PAYMENTS IS JUNE 15

The U.S. Internal Revenue Service has issued a reminder to taxpayers who pay estimated taxes that they have until June 15 to pay their estimated tax payment for the second quarter of tax year 2021 without incurring a penalty.

Estimated tax is the method used to pay tax on income that isn't subject to withholding, including income from self-employment, interest, dividends, rent, gains from the sale of assets, prizes, and awards. Taxpayers may also have to pay estimated tax if the amount of income tax withheld from a salary, pension, or from other income isn't sufficient to cover their entire tax liability.

Additional information regarding who needs to make Federal and Wisconsin estimated tax payments and how to make such payments can be found here.

For questions or further information relating to estimated tax payments, please contact Attorney Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT: REMINDER–MAY 17 IS THE DEADLINE FOR MORE THAN JUST INDIVIDUAL RETURNS

The IRS extended the deadline for individual taxpayers to file and pay taxes to May 17, 2021 in Notice 2021-21. However, Monday, May 17 is the deadline for more than just individual returns. Here is a list of some other May 17 deadline items that IRS has noted:

- Individual return extension requests. Taxpayers can extend the deadline beyond May 17, 2021 by filing Form 4868, *Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.* Filing an extension moves the filing deadline from May 17, 2021 to October 15, 2021. You can also get an extension by paying all or part of your estimated income tax due with Direct Pay, the Electronic Federal Tax Payment System (EFTPS), or a credit or debit card.
- Contributions to IRAs and health savings accounts. Taxpayers only have until May 17, 2021 to make 2020 contributions to individual retirement arrangements (IRAs), Roth IRAs, health savings accounts, Archer medical savings accounts, and Coverdell

education savings accounts –even if they file for an extension.

- Self-employed persons retirement plan contributions. Self-employed persons have the opportunity to fund SEP and SIMPLE IRAs as well as solo 401(k) plans through the deadline for a timely filed extension.
- Withdrawals of any 2020 contributions to an IRA. Withdrawals of any 2020 contributions to an IRA, including excess 2020 contributions (if you didn't request a filing extension) are due May 17, 2021. Notably, this rule does not apply to the following retirement plans: 401(k), 403(b), SARSEP and SIMPLE IRA plans. That deadline was April 15, 2021.
- Retirement plan distributions. Notice 2021-21 also automatically postponed to May 17, 2021 the time for reporting and payment of the 10% additional tax on amounts includible in gross income from 2020 distributions from IRAs or workplace-based retirement plans.
- Payroll taxes for household employees. Form 1040, Schedule H (Household Employment Taxes) is due even if you are not required to file Form 1040 itself.
- 2017 unclaimed refunds. The law provides a three-year window to claim a refund. To get any unclaimed refund from 2017, a taxpayer must properly address and mail the tax return, postmarked by May 17, 2021. If a taxpayer does not file a return within three years, the money becomes property of the U.S. Treasury.
- Returns for calendar year tax-exempt organizations. Also due May 17, 2021 are forms in the 990 series, including Form 990-T, *Exempt Organization Business Income Tax Return*.
- Foreign trusts and estates. Foreign trusts and estates with federal income tax filing or payment obligations that file Form 1040-NR also have until May 17, 2021 to file or make payment.
- State individual income tax returns for most states. States issue separate guidance regarding any potential due date changes and do not always conform with federal updates. However, many states have announced that they will extend their tax deadlines to May 17, 2021 as well. For instance, Wisconsin announced the postponement of the 2020 personal income tax filing and payment due date to May 17, 2021. Interest and late-filing fees will apply beginning May 18, 2021. Nevertheless, if you need more time to file, Wisconsin offers an extension. Wisconsin does not have its own separate extension application, however, if taxpayers have an approved federal tax extension (Form 4868), they will automatically receive a Wisconsin tax extension. Filing a federal extension moves the Wisconsin filing deadline from May 17, 2021 to October 15, 2021.

O'Neil Cannon will continue to monitor federal and state law tax changes. For questions or further information relating to the tax filing deadlines, please contact Attorney Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT:

BREAKING–IRS SAYS RESTAURANT ENTERTAINMENT EXPENSES FULLY DEDUCTIBLE

Businesses can now claim a 100% deduction on restaurant meals through the end of 2022, the IRS announced. The IRS released guidance today, April 8, which temporarily allows businesses a full deduction for food and beverages purchased from restaurants, starting after December 31, 2020 and before January 1, 2023. Importantly, the full deduction only applies to food purchased from take-out and dine-in restaurants. The deduction does not apply to pre-packaged food or groceries. Additionally, food from third-party facilities operated by an employer isn't eligible for the deduction.

O'Neil, Cannon, Hollman, DeJong and Laing will continue to monitor federal and state law tax changes. For questions or further information relating to the tax filing deadline, please contact Attorney Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT: IRS OFFICIALLY DELAYS TAX DEADLINE TO MAY 17

The Internal Revenue Service ("IRS") announced late yesterday that the federal income tax filing due date for individuals for the 2020 tax year will be automatically extended from April 15, 2021, to May 17, 2021. The IRS will be providing formal guidance in the coming days.

The postponement applies to individual taxpayers, including individuals who pay self-employment tax. However, the postponement does not apply to estimated tax payments that are due on April 15, 2021. These payments are still due on April 15. Penalties, interest and additions to tax will begin to accrue on any remaining unpaid balances as of May 17, 2021.

In addition, earlier this year, the IRS announced relief for victims of the February winter storms in Texas, Oklahoma and Louisiana. These states have until June 15, 2021, to file various individual and business tax returns and make tax payments. This extension to May 17 does not affect the June deadline.

The IRS noted that the new deadline does not apply to state tax returns, where the deadlines are set by each jurisdiction. Some states will automatically conform to the new federal deadline, but others will need to decide what to do. Maryland, for instance, recently extended its state filing deadline to July 15. It is expected that Wisconsin will conform to the new federal deadline but no official guidance documents have been released as of yet.

O’Neil, Cannon, Hollman, DeJong and Laing will continue to monitor federal and state law tax changes. For questions or further information relating to the tax filing deadline, please contact Attorney Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT: BREAKING–IRS TO DELAY TAX DEADLINE TO MID-MAY

The Internal Revenue Service is planning to delay the April 15 tax filing deadline as it grapples with a massive backlog of 24 million returns it has yet to process since the 2019 tax year. The agency is considering setting the filing deadline for either May 15 or May 17, but a decision has not been finalized. May 15 is a Saturday and the IRS typically delays filing deadlines that fall on a weekend or holiday to the next business day, so the final deadline for filers may be the following Monday–May 17. The filing extension would give taxpayers additional time to meet their tax obligations in what many consider one of the most complicated tax seasons in decades.

O’Neil, Cannon, Hollman, DeJong and Laing remains open and will continue to monitor federal and state law tax changes. For questions or further information relating to the tax filing deadline and the new relief bill, please contact Attorney Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT: WHEN SHOULD YOU UPDATE YOUR ESTATE PLAN?

You will experience various changes in circumstances during your life. Some of these changes will warrant updates to your estate planning documents. Indeed, estate planning is often a lifetime process of implementing the proper legal arrangements in the event of your incapacity and upon your death.

Consider updating your estate plan upon any of the following events:

<u>Tax Law Changes</u>

What might have been a proper estate plan under the tax laws that existed at the time you created your estate plan may no longer be appropriate. For example, the Setting Every Community Up for Retirement Enhancement Act, more commonly known as the SECURE Act, was signed into law at the end of 2019 and provides new provisions that may affect your tax and retirement planning situation. It is a great idea to review your estate plan after there is a change in the federal or state tax law.

Family Changes

You should consider updating your estate plan upon your marriage or divorce, and upon the marriage, divorce, or separation of anyone included in your estate plan. You should also consider updating your estate plan upon the illness, incapacity, or death of anyone included in your estate plan. Finally, the birth or adoption of children or grandchildren may warrant some modifications to your current estate plan.

Changes in Financial Circumstances

Your financial situation has likely changed over the years. For example, your assets may have appreciated or depreciated, or you may have received an inheritance or acquired debt. Depending on your situation, these changes may be grounds for updating your estate plan.

Moving to a Different State

Different states have different laws and ramifications. If you move to a new state, certain documents in your estate plan that are state specific may not be valid in your new state of residence. You should review and update your estate plan anytime you move to a new state, even if you only plan on living in the new state for half the year.

Special Circumstances

There are various special circumstances that may warrant updates to your estate plan or require additional special needs planning. For example, if your child or grandchild has special needs and receives government assistance, you may want to engage in special needs planning to protect those benefits.

If you have experienced any of the above-mentioned changes and would like to update your estate plan, please contact attorney Kelly M. Spott.

TAX AND WEALTH ADVISOR ALERT: WISCONSIN

DEPARTMENT OF REVENUE SAYS EXPENSES PAID WITH FIRST ROUND FORGIVEN PPP LOANS ARE NOT DEDUCTIBLE

A little less than a month ago, the IRS reversed its original position, and stated that businesses can deduct expenses paid for with the proceeds of a forgiven Paycheck Protection Program (PPP) loan, as further detailed here. However, in guidance issued on Friday, the Wisconsin Department of Revenue clarified that expenses that are paid with the forgivable PPP funds (in the first round) are not deductible for Wisconsin income/franchise tax purposes and must be added back to Wisconsin income in the year incurred or paid. Therefore, unless the legislature acts, businesses that have received PPP loans may find themselves saddled with unexpected Wisconsin tax liabilities as a result of the Wisconsin Department of Revenue's recent guidance.

The guidance clarifies that both federal and Wisconsin law provide an exclusion from income for forgiveness of debt on the first round of PPP loans and signals Wisconsin's plan to deny the expense deduction. Additionally, second-round PPP loans (those issued in 2021) are also set to be taxed by the state, albeit in the opposite manner: expenses will be deductible, but the loans are set to be treated as taxable income.

As we previously wrote about here, Wisconsin is a static conformity state, meaning that unlike a "rolling" conformity state where the state's tax code automatically conforms to the changes in federal tax law, a static state conforms to the federal tax code as it existed on a certain date. Wisconsin conforms to the Internal Revenue Code (IRC) as it existed on December 31, 2017, and although the Wisconsin Legislature adopted omnibus legislation on April 15, 2020, A.B. 1038, to address the coronavirus pandemic, the bill did not update Wisconsin's conformity date. Rather, the bill included express language that brings the state's tax code into conformity with several federal tax law changes under the CARES Act, including the CARES Act exception that permits loan forgiveness on a tax-free basis under the PPP from February 15, 2020 through June 30, 2020.

Therefore, absent legislative action, Wisconsin remains set to treat PPP loans and expenses in a complex and confusing manner given the way in which Wisconsin's tax code currently stands in relation to the federal tax code. PPP loans from the first round will not be taxable income, but associated expenses are non-deductible. On the other hand, second-round PPP loans are taxable income, but associated expenses can be deducted. That means small businesses, many of which are struggling from the COVID-19 economic downturn, could have to pay state taxes on their PPP loans unless the state legislature and Governor Tony Evers intervene.

O'Neil, Cannon, Hollman, DeJong and Laing remains open and will continue to monitor federal and state law tax changes. For questions or further information relating to taxation under the CARES Act and the new relief bill, please contact Attorney Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT: BREAKING NEWS–IRS SAYS EXPENSES PAID WITH FORGIVEN PPP LOANS ARE DEDUCTIBLE

Businesses can now deduct expenses paid for with the proceeds of a forgiven Paycheck Protection Program (PPP) loan. The IRS, in Revenue Ruling 2021-2 issued today, reversed its original position that prohibited businesses with PPP loans from "double-dipping" by paying expenses with a forgivable loan, then writing off those expenses. Congress, in the latest COVID-19 relief bill, as we explained further here, explicitly stated that such expenses were deductible, forcing the IRS to reverse course.

This ruling is sure to provide a significant tax benefit and relief for many small business owners who had availed themselves of the PPP program and found themselves saddled with unexpected tax liabilities as a result of the IRS's original position.

O'Neil, Cannon, Hollman, DeJong and Laing remains open and will continue to monitor federal and state law tax changes. For questions or further information relating to taxation under the CARES Act and the new relief bill, please contact Attorney Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT: NEW COVID RELIEF BILL SAYS EXPENSES PAID WITH FORGIVEN PPP LOANS ARE DEDUCTIBLE

Late Monday, Congress passed a $900 billion COVID-19 relief bill that includes a provision that allows business owners to claim tax deductions for expenses covered by Paycheck Protection Program (PPP) loan proceeds. The bill goes to President Donald Trump today, who is expected to sign it into law.

Among other tax provisions, the bill specifies that business expenses paid with forgiven PPP loans are tax-deductible. This supersedes IRS guidance (as we previously discussed here) that such expenses could not be deducted and brings the policy in line with what the American Institute of Certified Public Accountants (AICPA) and hundreds of other business associations have argued was Congress's intent when it created the original PPP as part of the $2 trillion CARES Act.

This congressional action is sure to provide a significant tax benefit for many small business owners who had availed themselves of the PPP program and found themselves saddled with unexpected tax liabilities.

O'Neil, Cannon, Hollman, DeJong and Laing remains open and will continue to monitor federal and state law tax changes. For questions or further information relating to taxation under the CARES Act and the new relief bill, please contact Attorney Britany E. Morrison.

TAX AND WEALTH ADVISOR ALERT: ESTATE PLANNING CONSIDERATIONS FOR SECOND MARRIAGES

It is becoming increasingly common for people to get divorced and then remarried. In these situations, one or both spouses entering into a new marriage usually has children from a prior relationship. Anyone who has children from a prior relationship and remarries should review their estate plan and make any necessary updates to ensure their assets are distributed according to their wishes.

Under Wisconsin law, the assets of a deceased spouse who dies intestate will automatically pass to the surviving spouse. When there is a second marriage and children from a prior relationship, however, the assets of a deceased spouse will be divided between the surviving spouse and the deceased spouse's children. In these situations, complications frequently arise when the main asset of the deceased spouse's estate cannot easily be divided, such as a house. And even if assets can be easily divided, the surviving spouse and children may disagree about who should receive what.

Complications may also arise when people fail to update the beneficiary designations, transfer-on-death designations, or payable-on-death designations on their non-probate assets (click here to read about the difference between probate and non-probate assets). For example, if a person designates his or her new spouse as the beneficiary of a bank account, then the new spouse will inherit the entire account upon that person's death. Unless the surviving spouse names the deceased spouse's children as the primary beneficiaries of the account, the surviving spouse's children would likely stand to inherit the bank account rather than the deceased spouse's children.

Finally, disputes may arise in the event of incapacity. In those situations, a person's adult children and new spouse may disagree over who should be able to make financial or medical decisions and what those decisions should be.

There are many other issues that may arise and factors to consider, but the main takeaway is that it is very important to review and update your estate plan as a result of a major life event like a divorce and subsequent marriage. Failing to do so could frustrate your estate planning intentions and lead your loved ones to engage in litigation.

The attorneys at O'Neil Cannon have experience with creating estate plans for "blended" families and with updating old estate plans to correspond with new circumstances. If you would like to discuss your estate planning options further, please contact attorney Kelly M. Spott.