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Small Business Services Group

TRONCONI SEGARRA
& ASSOCIATES^{LLP}

Certified Public Accountants
Business Consultants

SOLUTIONS BEYOND THE OBVIOUS

“NYS is upside down and backwards; high taxes and low performance.”

Then-candidate for New York State Governor, Andrew Cuomo, in a video of himself posted to his website May, 2010, announcing his first run for NYS governor.

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Tax Highlights – 2022 New York State Enacted Budget

By Thomas E. Mazurek, Jr., CPA, Partner

On April 7, 2021, the New York State legislature passed a \$212 billion budget bill for the 2022 fiscal year. The enacted budget legislation includes the following tax increases for both businesses and high-income individuals:

- Increases the business income tax rate from 6.5% to 7.25% for tax years starting on or after January 1, 2021 for three years, for taxpayers with a business income base greater than \$5 million.
- Increases the capital base tax for businesses from the 0.025% rate in effect last year to 0.1875% for tax years starting on or after January 1, 2021 for three years. The scheduled phase-out of the capital base tax for businesses is delayed until 2024.
- Increases the highest personal income tax rate for individuals with income over \$1.1 million and joint filers with income over \$2.2 million (up to \$5 million) from 8.82% to 9.65%. It also creates two new tax brackets; one for taxpayers with

income over \$5 million up to \$25 million, taxed at 10.3% and another for taxpayers with income over \$25 million taxed at 10.9%.

- Creates a pass-through entity income tax whereby partnerships and S-Corps can annually elect to pay taxes at the entity level at rates ranging from 6.85% to 10.9%, in exchange for an offsetting personal income tax credit for partners, members or shareholders of electing entities. The optional pass-through entity tax serves as a work-around for the federal cap on the state and local tax deduction.

However, the enacted budget continues to lower personal income tax rates for middle-class New Yorkers. In 2021, the fourth year of the multi-year tax cuts enacted in 2016, income tax rates have been lowered from 6.09% to 5.97% for taxpayers filing jointly in the \$43,000-\$161,550 income bracket, and from 6.41% to 6.33% in the \$161,550-\$323,200 income bracket.

The legislation also provides a personal income tax credit for NY resident homeowners with incomes up to \$250,000 if their total property tax exceeds a fixed percentage of their income. This framework will target New York families with the highest property tax to income burden. The

TAX CREDIT AVAILABLE FOR PAID TIME OFF FOR VACCINATIONS

By Diane M. Straka, CPA, Partner, Small Business Department

One of the tax relief provisions included in the American Rescue Plan includes a refundable tax credit to eligible employers for paid time off (PTO) related to obtaining a COVID-19 vaccine. Eligible employers include businesses and tax-exempt organizations with less than 500 employees, and certain governmental employers.

- The credit can be claimed for PTO paid to each employee who took time off to receive a vaccine, including recovery time, and equals the wages paid to such employees for that day.
- The credits are limited to a total of 80 hours (10 days) up to \$511 per day of wages paid between April 1, 2021 and September 30, 2021.
- The maximum credit allowed is \$5,110.
- The credit includes allocable health plan expenses and contributions for certain collectively bargained benefits, as well as the employer's share of social security and Medicare taxes paid on the wages (up to the caps).
- The credits are claimed on IRS Form 941, Employer's Quarterly Federal Tax Return, and are taken as a credit against the Medicare tax.
- If the credit exceeds the Medicare tax, the excess is refundable.

We recommend that eligible employers gather the information for the credits as soon as possible so that the information is ready by the time the 941s are filed. If a payroll service provider files Form 941 on the employer's behalf, the information should be provided to the payroll service provider as soon as possible in order for them to properly file for the credit.

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Enhanced Child Tax Credit – Coming Changes for 2021

By Melissa S. Howell, CPA, Principal, Small Business Department

The American Rescue Plan included a significant overhaul of the child tax credit. It not only expanded the amount of the credit, but it also created a newly-advanceable monthly payment; and many taxpayers will see the impact of these changes very soon.

Expanded Child Tax Credit

For 2021, the maximum child tax credit has been increased from \$2,000 to \$3,600 for qualifying children under the age of 6, and to \$3,000 per child for qualifying children between the ages of 6 and 17. The entire credit is now fully refundable for most taxpayers.

The child tax credit is available to taxpayers with a modified adjusted gross income (AGI) of: \$75,000 or less for single filers; \$112,500 or less for heads of household; and \$150,000 or less for married couples filing a joint return. Above these income thresholds, the extra amount above the original \$2,000 child tax credit (either \$1,000 or \$1,600 per child) is reduced by \$50 for every extra \$1,000 in additional modified AGI. Once the extra amount is eliminated, the amount of the credit remains at the original \$2,000 until the present law phase-out thresholds are reached (\$400,000 for married couples and \$200,000 for all other filers).

Advance Child Tax Credit Payments

Starting July 15 and continuing monthly through December 2021, the IRS will advance one-half of the estimated 2021 child tax credit in monthly installments to eligible taxpayers by direct deposit, paper check or debit card. The payment will be up to \$300 per month for each child under age 6 and up to \$250 per month for each child ages 6 through 17. The remaining half of the credit not paid in advance is claimed when filing your 2021 tax return, as the full child tax credit is claimed on the return, but reduced by the aggregate advance payments received.

The IRS has started sending out letters to more than 36 million American families who may be eligible to receive these payments. Families that are deemed eligible for the advance child tax credit payments will receive a second, personalized letter listing an estimate of their monthly payment. Most families do not need to take any action to get their payment. The monthly advance payments will be estimated from their 2020 tax return, or their 2019 tax return if 2020 information is not available. The IRS urges people with children to file their 2020 tax returns as soon as possible to provide their most current banking information, as well as key details about qualifying children.

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Let QuickBooks Online Be Your Company's Virtual File Cabinet

By Debbie Chrzanowski, CPA, Sr. General Ledger Specialist

Organizing and keeping up with paperwork related to your business can be a time consuming and daunting task. QuickBooks Online can help organize your documents, simplify your document filing and provide access to your documentation anytime, anywhere. The Attachment feature in QuickBooks Online is a fast, streamlined process resulting in a "paperless office" and making your filing cabinet obsolete. Here are just a few ways the Attachment feature can help your business:

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COVID-19 Shuttered Venue Operators Grant

By Michele Loretto, CPA, Manager, Small Business Department

The Small Business Administration is funding the Shuttered Venue Operators Grant (SVOG) designed to provide assistance to entertainment and restaurant entities affected by the COVID-19 pandemic. Eligible entities include: live venue operators or promoters; theatrical producers; live performing arts organization operators; museum operators; motion picture theater operators; and talent representatives. There are specific qualifications to the entity type, and floor plans will be required to document items such as: the defined areas for the performances and audiences; projection booths; and lecture hall or auditorium with fixed seating for museums.

The amount of the grant will be equal to 45% of their gross earned revenue or \$10 million (if in operation on January 1, 2019) or the average monthly gross earned revenue for each full month the entity was in operation during 2019 multiplied by six, not to exceed \$10 million (if operations began after January 1, 2019). First priority will be given to businesses that suffered a 90% or greater gross revenue loss between April and December 2020 due to the COVID-19 pandemic. The second priority is for entities that suffered a 70% or greater gross revenue loss.

The funds may be used for business expenses that are similar to the requirements for the PPP loans. Applicants may apply online at the Small Business Administration website.

Time is of the essence, as the program is already open. We encourage all of our clients to review their records and consider whether they may be eligible. Please contact your Tronconi Segarra & Associates advisor if you would like assistance with the application process or upon certification of use of funds.

2022 NYS Budget Tax Highlights, *Continued*

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calculation of this credit is capped at \$350 per STAR-eligible household, while also utilizing a \$250 credit minimum to further target homeowners impacted the most by high property taxes.

In addition, the enacted budget also provides for \$1 billion in relief and recovery assistance for small businesses, arts, entertainment and restaurants to help these entities and organizations recover from the effects of the pandemic.

Additional highlights of the enacted FY2022 budget legislation can be found here:

<https://www.governor.ny.gov/news/governor-cuomo-announces-highlights-fy-2022-budget-reimagine-rebuild-and-renew-new-york>

The tax professionals at Tronconi Segarra & Associates will continue reviewing the enacted budget and will be providing updates and guidance on new tax provisions included in this legislation that affect businesses and individuals, as additional information is released by the State and the Department of Taxation and Finance.

In our next newsletter: Is the buzz you've heard about people moving out of New York State in pretty significant numbers all hype, or is there substance to the hype? In our next newsletter issue, we'll bring you the facts and talk about what you need to know before becoming a resident of another state.

TAX CREDIT AVAILABLE FOR PAID TIME OFF FOR VACCINATIONS, Con't. from Page 2

If the employer wants to receive the benefit of the credits prior to filing Form 941, the employer can reduce the Federal tax deposits for the quarter, equal to the amount of the credit, or can request an advance of the credits by filing Form 7200, Advance Payment of Employer Credits.

Self-employed individuals may claim a comparable credit on Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, which is filed with Form 1040. The credit is based on net self-employment income, divided by 260 days, multiplied by the number of days off for the vaccine/recovery. This is capped at \$511 per day. The individual claiming the credit should document the date(s) they were unable to work due to the COVID-19 vaccination.

If the self-employed individual wants to receive the benefit of the credits prior to filing the 2021 Form 1040, the individual can reduce the Federal estimated tax payment for the quarter, equal to the amount of the credit.

Learn more about the wide range of services we offer to help you achieve your goals:

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Covid Relief and an Employee Retention Tax Credit Story

By Kathy Grieco, CPA, MBA, Senior Manager, Tax Department

As businesses continue to grapple with the effects of COVID-19, we would like to share a story previously published by one of our audit managers, Mike Rubin.

Situation Overview

Since the beginning of the COVID-19 pandemic in March 2020, Tronconi Segarra & Associates has earned a reputation for providing in-depth, tailored solutions for clients and other organizations seeking assistance available through COVID-19 legislation, including loans, grants and tax credits.

One of our not-for-profit clients with annual revenues of approximately \$4 million obtained a Paycheck Protection Program ("PPP") loan in Spring of 2020. Although the organization was able to maintain its level of governmental funding for most of 2020, certain programs received significant cuts in funding during the fourth quarter of 2020. The organization had navigated the government-mandated shutdowns and the necessity to shift to partially virtual operations during 2020; however, the funding cuts threatened to potentially impact the organization's level of services that many in the community rely upon.

Solution Provided

As our audit team was planning to perform our client's annual required audit, noting the steep revenue decline in the fourth quarter, we asked their management whether they had evaluated their eligibility for the Employee Retention Tax Credits ("ERTC"), one of the relief

measures created by the federal government due to COVID-19. Our client said they assumed they did not qualify. Our audit professionals weren't convinced of that and enlisted the help of their colleagues in the Firm's COVID-19 Response Team to investigate.

Upon gaining further insight into the client's 2020 financial results, we determined they were, in fact, eligible for ERTC, not only for 2020, but for 2021 as well. We also advised them that, before beginning their PPP loan forgiveness application, we identified ample opportunity for them to "maximize" their ERTC by carefully coordinating the allocation of PPP funds toward a mixture of both eligible payroll and other qualifying expenses.

Business Impact

The expertise of the Tronconi Segarra & Associates' COVID-19 Response Team proved invaluable for this not-for-profit client, as we assisted them in claiming an ERTC of approximately \$245,000 for 2020 and an additional \$340,000 for the first quarter of 2021...***over half a million dollars in relief obtained for our client.*** Further, we determined our client will be able to apply for full forgiveness of their PPP loan.

This incredible victory for our not-for-profit client will provide them with significant cash flow to maintain their level of services to the community, pay down existing debt, and improve their overall financial position in light of the uncertainty of its traditional funding sources in the near term.

QuickBooks Online,

Continued from Page 2

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Documents can be in the format of pdf files, images or through the QuickBooks Online App - a photo from an iPhone or Android device.

There are two places in QuickBooks Online that attachments can be added:

- 1) The Attachment Page:
 - a) Single or Batch documents can be attached.
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- 2) Creating a Transaction:
 - a) When creating a transaction in Quote, Invoice, Bill, Expense or Check, scroll to the bottom left Attachments box.
 - i. Drag and drop the attachment.
 - ii. Click on Attachments and find the location of the document you want to upload, and "save" to add the transaction.
 - iii. Show existing to open the right-hand side drawer if previously saved in the attachments window.

Taking control and organizing your documents has never been easier. Housed all in one place, the Attachment feature will provide the information needed when you need it most, quickly and easily.

Premium Tax Credits & COBRA Subsidies

By Lisa A. Mrkall, CPA, MBA, Principal, Small Business Department

The American Rescue Plan makes health coverage significantly more affordable for many Americans who either have marketplace coverage, are uninsured or have lost their employer coverage. Consumers have already starting seeing these benefits. Below is a summary of these enhancements and steps that may need to be taken to receive the benefits.

Enhanced Premium Subsidies for Marketplace Plans (2021 & 2022)

This particular feature of the plan benefits just about anyone who has coverage through the ACA marketplace. Premium costs for people eligible for subsidies will decrease by \$50 per month on average. Some people will see much larger savings and is capped at 8.5 percent overall.

Steps to take now: People who have marketplace coverage in one of the 36 states that use the federal healthcare.gov platform should go back in and update their applications and reselect their current plan to get new details about their subsidies starting April 1. New York has its own marketplace so there will be special procedures. Please visit www.NYStateofhealth.ny.gov for the NYS marketplace.

The enhanced tax credit is in effect for all of 2021 and 2022. More guidance is forthcoming on how the additional subsidies will be applied to premiums already paid in for January through March. The credits can also be claimed when 2021 income taxes are filed in 2022.

COBRA Subsidies (April through September 2021)

COBRA is made available when people get laid off and lose their employer coverage. They can opt to keep their coverage for 18 months, but have to pay

the entire premium plus a 2% administrative fee. This is done under the COBRA laws. Under the new law, the federal government will pay the entire COBRA premium through September of this year.

This is key for individuals currently undergoing treatment for a medical condition as it can be important to keep their coverage and existing providers. After September, however, the new COBRA subsidies will end and people will be responsible for the entire premium, unless the government puts in place a special enrollment period for that circumstance. Without a special enrollment period, they might not be able to get into a marketplace plan until January.

Steps to take now:

People who missed the original 60-day enrollment window for keeping job-based coverage should go back and enroll in COBRA now. They have 60 days to enroll after they're notified of the new provisions under the Covid relief plan. They will not owe premiums back to their original eligibility date, but any medical claims they incurred before their enrollment won't be covered. Certainly, these individuals should review coverage options to determine whether COBRA or marketplace coverage is the best, most affordable option.

Enhanced Child Tax Credit Changes in 2021

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If a taxpayer receives advance payments in error for a child that will no longer be claimed as a qualifying child in 2021, there is a "hold-harmless" provision that is intended to protect taxpayers from having to payback these amounts. The income thresholds for this provision are relatively low and were intended to protect those most in need. Any taxpayers that do not meet the

MEET ELIZABETH GEISE!

Elizabeth "Liz" Geise, CPA, is a member of our Small Business team working in our Lockport office. She joined Tronconi Segarra



& Associates in October 2019 and just received her CPA license this past February (congrats Liz!).

Before joining our Firm, Liz was employed by the Town of Lewiston and a Niagara Falls manufacturer as a staff accountant. Liz has grown her skill set significantly since coming to Tronconi Segarra & Associates, as evidenced by earning her CPA license and her increasing client responsibilities. She provides business and individual taxation services to her clients, as well as sales tax and payroll tax compliance, and bookkeeping services.

When Liz has some free time, she enjoys camping and hanging out with family and friends, and playing board games. You can also find Liz on the volleyball court as she plays in a volleyball league every summer.

Thanks, Liz, for your hard work and dedication serving our clients!

income requirements under this provision will be required to repay the advance credit amounts received when filing their 2021 tax return.

Eligible taxpayers who do not want to receive advance payment of the 2021 child tax will have the opportunity to decline receiving advance payments. The IRS expects to have this tool available on their website shortly.