

Year-End Planning Opportunities

November 11, 2020

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

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Agenda

- Year-End Tax Planning, Stephen Estes, CPA, Principal
- Year-End Credits/Incentives, Jennifer Rohen, JD, Principal
- Year-End Transitions, Jeff Servais, CPA, Principal
- PPP Concerns at Year-End, Matthew Rambaran, CPA, Manager



Year-End Tax Planning

Stephen Estes, CPA, Principal

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Top Year-End 2020 Tax Planning Considerations

- CARES Act NOL changes
- Equipment purchases
 - Bonus Depreciation
 - CARES Act fix to Qualified Improvement Property
- Advanced payments and prepaid expenses



Top Year-End 2020 Tax Planning Considerations

- Section 199A
- Retirement Plan Contributions
- Section 1031 Exchanges
 - Opportunity Zones
- State and Local Tax
 - WFH Workforce



Tax Changes on the Horizon

- Sales Tax - Wayfair
- Tax Rates - Election
- Bonus Depreciation
- R&D Credits & Expenses
- State and Local Taxes





Year-End Credits/Incentives

Jennifer Rohen, JD, Principal

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Credits & Incentives Project Triggers

Job creation

- sometimes combined with wages/benefits (i.e. ETC)

Capital expenditures

- (i.e. ITC, R&D)

M&A activity

Facility expansions

Geographic designations

- (e.g. Enterprise Zones)

Targeted hiring

- (e.g. state WOTC piggyback)

Business size

Business industry

High Level Project Information Requests

Number of Jobs (existing, new, retained)

Capital Expenditures (categorized by real and personal property)

Wages (average wage, wage by occupation, benefits)

Locations



Types of Credits & Incentives

Negotiated (Discretionary) Incentives

- Typically involve a “but for” requirement
- Incentive is negotiated for with a state, county, municipal government or development authority
- Must be secured prior to beginning the project usually via a contract, agreement, or ordinance

Statutory Tax Benefits

- They are available “as of right”
- If business qualifies, meets the requirements, then the benefit is available
- May need to be applied for before or after project

Types of Negotiated Benefits

- Real and personal property tax incentives (abatements, exemptions, rebates, PILOTS)
- Income tax credits or refunds
- Withholding tax rebates and exemptions
- Cash grants (e.g. training, closing funds, infrastructure)
- Sales and use tax incentives (exemptions and rebates)
- Low-interest loans
- Utility incentives
- In-kind benefits (e.g. land, training, recruiting assistance, expedited permitting, zoning)
- Miscellaneous project specific or area specific benefits



Types of Statutory Benefits

- Income tax credit or refunds
- Sales tax exemptions and rebates
- Real and personal property tax incentives (exemptions, rebates, abatements)
- Withholding tax exemptions and rebates
- Utility incentives

C & I Clawback and Recapture

Most discretionary incentives and issuing authorities insist upon including clawback or recapture provisions

Company must meet, or continue to meet, certain performance thresholds or requirements

Important clawback components:

Mandatory or negotiable

Partial or full clawback

Metrics, timing, benefit amounts

Important Questions:

Can external factors impact potential clawback?

Does agreement include a Force Majeure clause?

Can agreement terms be renegotiated prior to repayment?



Work Opportunity Tax Credit

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Work Opportunity Tax Credit (WOTC)

The tax credit allows employers to reduce their federal tax liability by up to \$9,600 per new hire. For-profit businesses of any size qualify. 501(c) non-profits qualify for the veteran target groups only.

The tax credit applies to temporary, seasonal, part-time and full-time workers. The tax credit is available for new hires with job start dates through December 31, 2020.

WOTC is a prospective benefit that must be addressed at the start date for new employees. The employer has 28 days to submit paperwork related to qualifying employees to the state agency for verification.

The WOTC applies only to new employees who have never worked for the hiring employer at any other time.

How WOTC Impacts Tax Liability

Taxable employers claim the WOTC as a general business credit on Form 3800 against their income tax. The WOTC is calculated using Form 5884.

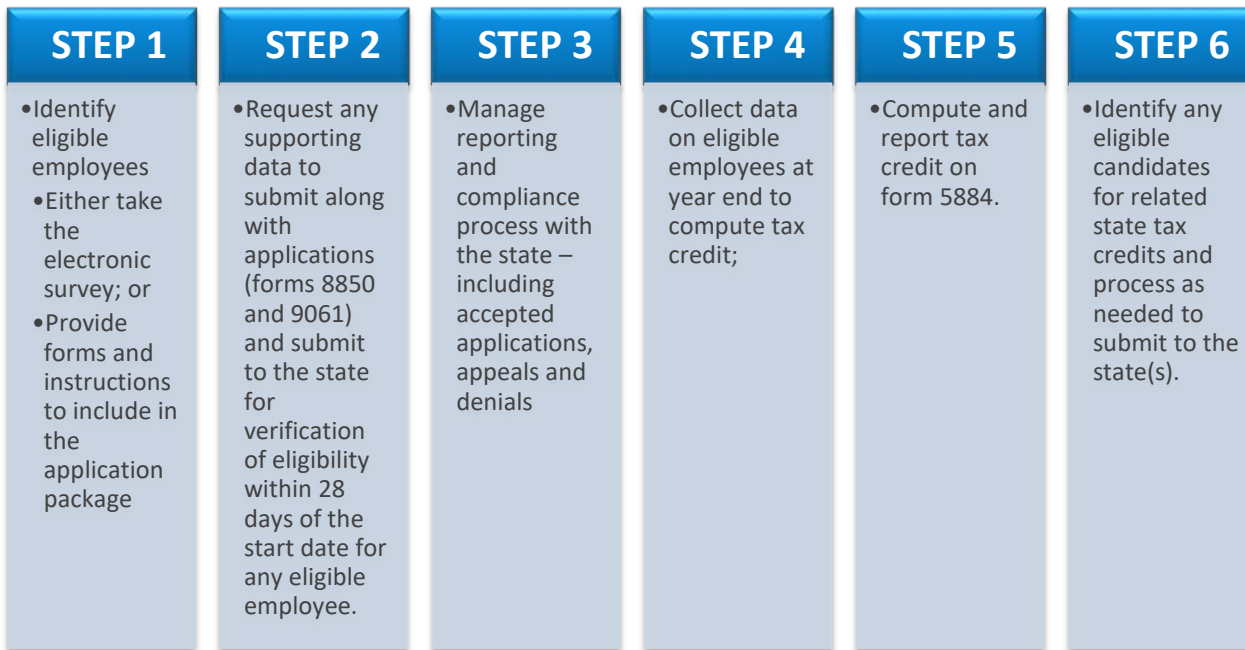
For flow-through organizations with members in AMT, WOTC will offset AMT.

To the extent that WOTC is not fully utilized, carry forward period is up to 20 years and carry back is one year.

Credit Amount

TARGET GROUP	MAXIMUM TAX CREDIT
VETERANS	
Receives SNAP benefits	\$2,400
VETERANS ENTITLED TO COMPENSATION FOR SERVICE CONNECTED DISABILITY	
Hired one year from leaving service	\$4,800
Unemployed at least 6 months	\$9,600
UNEMPLOYED VETERANS	
At least 4 weeks	\$2,400
At least 6 months	\$5,600
OTHER WOTC TARGET GROUPS	
Short Term TANF Recipient	\$2,400
Long-Term TANF Recipient	\$9,000 (over two years)
SNAP (Food Stamp) Recipient	\$2,400
Designated Community Resident	\$2,400
Vocational Rehabilitation Referral	\$2,400
Ex-Felon	\$2,400
SSI Recipient	\$2,400
Qualified Long-term Unemployment Recipient	\$2,400

Our Process





Year-End Transitions

Jeff Servais, CPA, Principal

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Does the next generation understand how much work it is to run a business?

Can this business even support a next generation?

Will my team members feel that I abandoned them?

Do my kids even want to be in the business?

Is the next generation ready to run the business?

Who has the knowledge I do?

Does my leadership team understand the values I started the business on?

Will I be able to fully step away?

Where do I even start?

What will be my primary driving force / motivation when I retire?

Will anyone want to buy my business?

What if my kids can't afford to buy the business?

How will my customers handle me not being here?

Is my leadership team strong enough?

How much money do I need to retire?

How do I know when it's time to transition?

Will the next owners expect me to work in the business after I sell?

Will my relationship be okay if I'm home more?

If I sell the business how will I know the next owners will take care of my team?



Comprehensive Succession Planning

Provided by an *Owner Transition Advisor (OTA)*

The role of the OTA

- Helps owners define the dream (discovery process)
- Help owners build a robust roadmap
- Coordinates team
- Monitors progress



CLA Owner Transition Services

Customized for your needs



Bringing Owners “Peace of Mind”





PPP Concerns at Year-End

Matthew Rambaran, CPA, Manager

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Paycheck Protection Program (PPP) - Planning

- Timeline for forgiveness ([Interim Final Ruling - June 26, 2020](#))
 - Lender 60-day review process
 - SBA 90 day determination process
 - Appeal within 30 days of notice of forgiveness denial
- Financial planning considerations
 - Obtaining new financing
 - Financial covenants
- Staff reductions and impact on loan forgiveness
- Owner distributions ([Form 3509](#))



PPP Tax Considerations

- Forgiveness is NOT taxable (CARES Act [Section 1106\(i\)](#) and further clarified in [IRS Notice 2020-32](#))
 - “TAXABILITY” - For purposes of the Internal Revenue Code of 1986, any amount which (but for this subsection) would be includible in gross income of the eligible recipient by reason of forgiveness described in subsection (b) shall be excluded from gross income.”



PPP Tax Considerations

- Expense is NOT deductible ([IRS Notice 2020-32](#))
 - “no deduction is allowed under the Internal Revenue Code (Code) for an expense that is otherwise deductible if the payment of the expense results in forgiveness of a covered loan”
- What happens if forgiveness occurs subsequent to year-end in 2021?





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