Barrett Co
CERTIFIED PUBLIC ACCOUNTANTS

WHO'S GOT MY MONEY? ARE YOU LEAVING MONEY ON THE TABLE?

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INSIDE
PUBLIC ACCOUNTING

BEST OF THE BEST
FIRMS
2021

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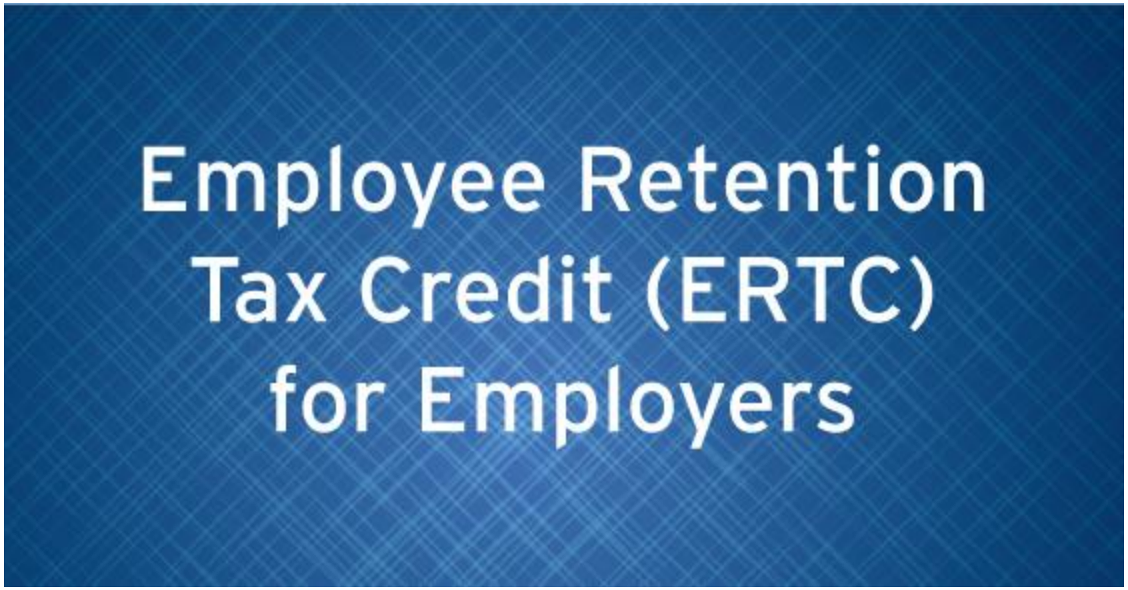
Employee Retention
Tax Credit (ERTC)
for Employers

WHAT IS ERTC?

- The ERTC is a payroll tax credit (payroll)
- It is **refundable**
- The ERTC was designed to reward and encourage businesses to keep their employees on payroll
- It has been dramatically expanded to provide more financial relief to a larger group of employers

ERTC MAXIMUM CREDIT AMOUNT

2020: $5,000 per employee

100 employees or less. Be subject to a government shut-down order or a decrease in revenue of 50% compared to the same quarter of 2019

2021: $21,000 per employee

500 employees or less. Have a decrease in revenue of 20% compared to the same quarter of 2019.

SCENARIO 1 (2020)

The business (with less than 100 full-time employees) was shut down or partially shut down by government order. What does this mean? According to the IRS FAQs, if more than a nominal portion of the business was required by local, state, or federal order to shut down operations, then it qualifies under this scenario.

March of 2020: Governor Inslee shut down all non-public construction as it was deemed to be non-essential. Many employers, including several of our clients, then starting sending their crews south to Oregon where no shutdown took place. Does this then qualify as a partial shutdown? The IRS appears to say “yes,” as long as on the company had written policies and guidelines in place that followed CDC guidelines for the jobs in Oregon and their Washington work is more than “nominal” on a regular basis.

DOES THIS MEAN ALL CONTRACTORS QUALIFY?

NO: Only private work was ordered shut down. Contractors that generate a large majority of their work from public entities would not qualify as they weren’t “shut down” by order.

In addition, under this scenario, only the payroll in the period in which the government orders were in place would qualify for the ERC. For Washington contractors, this period would be March 25, 2020 to April 24th, 2020, from the date Inslee issued the order to the date he rescinded it for contractors. And then depending on the date of your PPP loan disbursement, there is a whole other issue. Any wages used for the PPP forgiveness <u>cannot</u> count towards the ERTC. So the job then becomes separating out which wages qualify, and which do not.

SCENARIO 2 (2020)

Business (with less than 100 full-time employees) has a 50% reduction in revenue in any one quarter for 2020 when compared to the same quarter of 2019. This is a bright-line test that makes the entire quarter eligible for ERC; but just like above, any wages used for the PPP loan forgiveness would need to be excluded.

2021 ERTC ELIGIBILITY

The business (with less than 500 full-time employees) must have a revenue reduction of 20% in a quarter when compared to the same corresponding quarter of 2019. But same as the previous scenarios, if a PPP round 2 was taken, any wages towards PPP forgiveness must be excluded.

COST SEGREGATION STUDY

A Cost Segregation study **dissects the construction cost or purchase price of the property that would otherwise be depreciated over 27 ½ or 39 years.** The primary goal of a Cost Segregation study is to identify all property-related costs that can be depreciated over 5, 7 and 15 years

179D

The Energy Policy Act of 2005 created a tax deduction for energy efficient buildings found in Section 179D of the Federal Tax Code. Section 179D provides a tax deduction for energy efficiency improvements to commercial buildings. A building <u>may</u> qualify for a tax deduction under Section 179D for as much as $1.80 per square foot or as little as $0.30 per square foot. An energy efficient envelope, heating, ventilating, and air conditioning (HVAC) system, or lighting system can qualify for the 179D tax deduction. Energy simulations are required to show compliance with the energy and power cost savings requirements.

WHO CAN CLAIM THE 179D DEDUCTION?

There are two groups of candidates eligible to claim the 179D tax deduction:

Architects, engineers, and designers of energy efficient municipal building projects

Municipal buildings: owned by a non-tax-paying public entity, the municipality can allocate their 179D tax deduction to the designer of the energy efficient system such as an architect, engineer.

MULTNOMAH / CITY OF PORTLAND

Multnomah County Preschool for All Income Tax

The tax rate is 1.5% of Oregon taxable income over $125,000 for single filers and $200,000 for joint filers. The tax rate is 3% of income over $250,000 for single filers and $400,000 for joint filers (MULTNOMAH COUNTY)

Portland Metro Supportive Housing Services Income Tax (Homeless Tax)

The Portland Metro tax rate is 1% of Oregon taxable income for residents and 1% of Portland Metro sourced income for nonresidents who work in the Portland Metro area. The first $200,000 of taxable income for joint filers is exempt, and the first $125,000 for single filers is exempt. (TRI COUNTY)

WA CAPITAL GAINS TAX

Beginning of March 2022: Judge overturned new Cap gains tax

“show the hallmarks of an income tax rather than an excise tax,"

The measure imposed a 7% tax on the sale of stocks, bonds and other high-end assets in excess of $250,000 for both individuals and couples. It was projected to bring in $415 million in 2023, the first year the state would see money from the tax.

Retirement accounts, real estate, farms and forestry were all exempt from the tax. Business owners were also exempt from the tax if they are regularly involved in running the business for five of the previous 10 years before they sell, own it for at least five years, and gross $10 million or less a year before the sale

CURRENTLY HALTED DUE TO COURT ORDER

QUESTIONS?

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