

October 21, 2020

I Have Been Working At Home Since March

when my employer's office closed. Can I claim the home office deduction, you ask? Not if you are an employee. Prior to 2018, certain employees could deduct the cost of home office expense as unreimbursed employee costs included in miscellaneous itemized deductions, subject to the 2% of AGI threshold. But, Federal tax reform repealed this group of tax breaks except in some States (New York) where it may be applicable.

The deduction is still available to self-employed individuals who use a room or space in their home exclusively and regularly as their principal place of business.

There are two ways to figure the deductions. You can allocate actual costs on Form 8829 or use the simplified option of \$5 per square foot of space used exclusively for business, up to 300 square feet, a maximum \$1,500 write off. *The Kiplinger Tax Letter Vol. 95, No. 19.*

Here is One Item of Biden's Tax Plan That Is Not Getting Much Attention

Under current law, employees can make pretax contributions to their 401(k)s. For 2020, the pay in limit is \$19,500, \$26,000 if age 50 or older. Biden has said he wants to equalize the tax benefit across income levels for individuals who contribute to an IRA or 401(k). He has not provided any details, but tax professionals speculate that he could do this by eliminating the current tax break and replace it with a refundable tax credit. Some economists have speculated on a 26% credit. *The Kiplinger Tax Letter Vol. 95, No. 19.*

Compare the possible 26% rate to your marginal tax bracket to see what effect this would have on your federal return. No thought as to the effect on State returns if the deduction is lost. States would have to add a credit also to stay even or their tax collections will rise.

A Spanish Version of 1040?

Yes. The IRS will release a Spanish language version of the 2020 Form 1040 for the first time. 1040 filers can indicate whether they wish to be contacted by the IRS in a language other than English. Plus, the agency is trying to make its website more user friendly by making available many of its pages in several languages. *The Kiplinger Tax Letter Vol. 95, No. 19.*

What Caused The September Market Drop?

Simply put, SoftBank, Retail Option Investors. SoftBank, which famously lost billions investing in WeWork, bought \$4 billion in options to buy technology stocks, representing some \$50 billion in underlying shares. Firms that sold SoftBank the options had to hedge themselves by actually buying shares as they went up. Like all bubbles, the end came when the money ran out.

The 13 million newbie investors on the Robinhood app who have access to fractional shares and zero commission trades through a game-like interface that includes a big green “Trade” fed the speculation because there were no sports to bet on; so, day trading by those sheltering in place and working from home became the only game in town. *Wall Street Journal 9/14/20 p. A15 Newton’s Law of Stock Momentum.*

Looking To Buy An Electric Car?

The IRS has added Audi, Mini Cooper and Toyota Prius models to plug-in electric vehicles credit list for vehicles that are eligible for the plug-in electric vehicle credit list.

Check out this list if you are contemplating such a vehicle. Credits are available up to \$7,500 per vehicle.

NYS Bar Association Convenes Task Force To Examine COVID-19 Deaths at Nursing Homes

I am involved in handling estates of persons who died in this pandemic and therefore have a professional interest in this task force.

The New York State Bar Association has launched a task force to examine why a disproportionate number of residents died from COVID-19 in nursing homes and long-term care facilities across the state.

As has been widely reported, some of the earliest and deadliest outbreaks of the virus occurred among the vulnerable - and largely elderly - individuals housed in these facilities. The NYSBA’s task force will review current laws and regulations and determine whether changes are necessary to make sure that this tragic situation does not reoccur.

According to the New York Times, 41% of all coronavirus deaths (approx. 207,000) in the U.S. are linked to nursing homes (approx. 85,000) and they account for 8% of all cases in the country. More than 6,600 coronavirus deaths occurred in nursing homes in New York State, the most of any state. *NYS Bar Association, State Bar News Vol. 62, No. 3 Fall 2020.*

SBA Makes PPP Forgiveness Simpler

Small businesses that took \$50,000 or less in Paycheck Protection Program (PPP) loan money will now have access to a simplified forgiveness process due to an interim final rule recently issued by the Small Business Administration (SBA). The SBA noted there are about 3.57 million PPP loans under \$50,000 and, of those, 1.71 million were made to sole proprietorships with 0-1 employee. Because the borrowers, by virtue of having only one employee at most, did not really reduce salaries or wages, the government decided that such simplifications would have little effect on the program’s finances.

If you have any questions about preparing the Forgiveness paperwork or would like us to prepare the paperwork, please call Melissa. *The Trusted Professional, New York State Society of CPAs Newsletter 10/12/20.*

As always, if you have any questions about these or any other matters, do not hesitate to call us.