

Auditing and Accounting  
Business Management  
Consulting  
Business Strategies for  
Taxes and Succession  
Planning  
Business Valuations  
Cafeteria Plan Design  
and Administration  
Employee Benefit Plan  
Services  
Financial Planning  
Payroll Management  
QuickBooks Support  
Tax Preparation

FINANCIAL IDEAS FOR TODAY AND TOMORROW

# Footnotes

## Missing or Incorrect Stimulus Payments

**B**y now, millions of Americans have received their Economic Impact Payment that was sent out by the federal government starting last spring. However, some of you may be saying, “My stimulus payment was for the wrong amount!” or “I never received my stimulus payment!” Don’t worry - you are not alone and all is not lost.

The Internal Revenue Service initially said that you need to wait until filing your 2020 tax return to resolve any issues with missing or incorrect Economic Impact Payments. However, thanks to the Taxpayer Advocate Service, the IRS has established procedures to help correct some of the lingering stimulus payment issues. You may find yourself in one of these following scenarios:

- **Missing dependent payment.** The IRS will issue supplemental payments in the coming weeks to eligible individuals who normally do not have to file a tax return and claimed at least one qualifying child (using the Non-Filer Tool) but did not receive the qualifying child portion of the payment.

- **Injured spouse.** Eligible individuals who filed for or can file for the Injured Spouse Allocation

**Kristi Wick is a partner and also oversees the audit practice for several of the firm’s offices.**

(Form 8379) and did not receive their Economic Impact Payment will receive their payment in the coming weeks. (An injured spouse is one who had refunds resulting from a jointly filed return held back by the IRS to cover past due obligations of the other spouse.)

- **Math error.** Eligible individuals whose payment was based on a 2018 or 2019 tax return where the IRS adjusted the return for a math error that negatively impacted the original amount of the payment will now receive a payment for an approved adjusted amount. The IRS will work with the taxpayer to resolve the math error and, if appropriate, issue a payment for the additional amount.

- **Victims of identity theft.** Eligible individuals who were victims of identity theft have often not received a payment or the amount received is incorrect. The IRS will adjust the payment amount once the identity theft issue is resolved.

- **Deceased or incarcerated spouse.** Eligible individuals often have not received an Economic Impact Payment because they filed a joint return with a deceased or incarcerated spouse. The IRS will recalculate the payment and issue it only to the nondeceased/nonincarcerated spouse.

### Next steps

If you are experiencing any unresolved issues related to the above scenarios, you can contact the Taxpayer Advocate Service at 1-877-777-4778 to determine if your Economic Impact Payment will be corrected now or in 2021 when you file your 2020 tax return.



# How to Eliminate a Tax Surprise

**W**hat is normally a reliable estimate of your taxes – the amount of money withheld from your paychecks by your employer – may be an unreliable estimate this year thanks to the current pandemic. Even worse, using the safety net of paying in what you did last year may not be practical if your financial situation changed due to the coronavirus.

Many taxpayers wrote a large check to the IRS this year for the very first time to pay a portion of their taxes as the 1st

and 2nd quarter estimated tax payments for 2020 were both due on July 15. Because of this it may be beneficial to review whether you need to make a 4th quarter estimated tax payment in the coming months.

Here's how to ensure you are not faced with an unpleasant tax surprise - because either not enough money was withheld from your paychecks for income tax purposes or your estimated tax payments were too small - when you file your 2020 tax return next April.

**Step 1: Estimate your 2020 income.** Add up your anticipated income for 2020 – W-2 paychecks, unemployment compensation, business income, interest and dividend income and any other form of income.



## Build a Fortress Defense for PPP Loan Forgiveness

**M**ore than 70% of small businesses in America now have loan proceeds from the Paycheck Protection Program (PPP) to help retain employees during the current pandemic. The entire amount of a PPP loan is eligible to be forgiven if the funds are used for qualified expenses. Recent legislation liberalizes the terms of loan forgiveness for funds used for payroll, utilities and rent. It is now based on a 24-week period, not just 8 weeks.

But how can you best position your company to fully benefit from PPP loan forgiveness? **Here are five tips to help meet the challenge.**

**1 Restore your staff.** If possible, restore the number of full-time equivalent (FTE) employees to previ-

ous levels by the safe-harbor due date of December 31 (extended from June 30). Bring back furloughed FTEs as soon as you can. Of course, this should fit into your overall business plan. If an employee does not return, document the refusal. All these actions will help when the forgiveness formula is applied to your loan.

**2 Pile on payroll costs.** Run payroll and other remaining qualified expenses—including mortgage interest, rent and utilities—on the last day of the 24-week period. This will enable your business to maximize the amount of loan forgiveness allowed under the calculation.

**3 Reward employees.** Consider paying out reasonable incentive amounts to maximize the forgiveness

of payroll costs. But remember that you can only count up to \$100,000 of wages per person, pro-rated for the covered year, and you must be able to defend these payments as reasonable.

**4 Use the simplified application form.** There are two loan forgiveness forms - the regular form (Form 3508) and a simplified version called Form 3508EZ. Review both forms before deciding which one is right for your situation. For instance, there are fewer calculations on the simplified form with less documentation required. To qualify for the simplified form, you must meet at least one of these requirements:

- You're self-employed and have no other employees.
- You didn't reduce employee hours or reduce their wages and salaries by more than 25%.
- You lost business due to health directives relating to COVID-19 and didn't reduce employee wages and salaries by more than 25%.

**5 Document everything.** Once you receive PPP loan funds, keep supporting documentation on everything related to the loan. Document when you receive the loan, each time you spend part of the loan and accrued interest expense on the loan. Also keep copies of receipts and invoices to document all loan expenditures, including bank account statements and journal entries.



**Step 2: Estimate your 2020 deductions.** Add up your anticipated deductions for 2020, including retirement and health savings account contributions, student loan interest you paid and itemized deductions. If you're not sure, take a look at last year's tax return and use that figure.

**Step 3: Calculate your tax.** Subtract your deductions from your income to calculate your taxable income. Then calculate the tax you owe based on your taxable income using the IRS tax tables. Use last year's table until the new one is published later this year. The tax tables may be found at: <https://www.irs.gov/pub/irs-pdf/i1040tt.pdf>

**Step 4: Calculate your remaining estimated tax payments.** Take the tax calculated in Step 3 and sub-

tract any 1st, 2nd and/or 3rd quarter estimated tax payments you made, and any paycheck withholdings so far this year. If you owe more than you have paid in or have had withheld so far this year, you have one more quarter to make up the difference through estimated tax payments.

**Step 5: Mail your payment to the IRS.** The due date to make a 4th quarter estimated tax payment is January 15, 2021.

Sound complicated? It definitely can be. If you get stuck trying to figure out if you should make estimated tax payments or have any other questions, please call. Remember, it is better to plan now than to face the unpleasant surprise of an unwanted tax bill on April 15.

# Cash Flow Concepts That Can Save Your Business

**A** sad and oft-repeated truth is that half of all new businesses fail within the first five years. Although many factors contribute to business failure, a common culprit is poor cash management. All businesses, large and small, must deal with the uncertainty of fluctuating sales, inventories and expenses. Follow these practices to moderate the ebb and flow of cash in your business:

**Analyze cash flow.** If you don't know it's broken, you can't fix it. The starting point for any meaningful action to control cash is discovering where the money's coming from and where it's going. Get a handle on cash by monitoring your bank accounts for at least one complete business cycle; then use that information to establish a realistic forecast. This should be done throughout the year to help you understand your seasonal cash needs.

**Monitor receivables.** Extending credit to risky customers, failing to identify late payers, refusing to collect payment on a timely basis — these practices amplify cash flow problems. Mitigate receivable fluctuations by generating aging reports. Use the report to follow up when payments are late. You may even wish to offer discounts to customers who pay early.

**Slow down payments.** Prudent cash flow management dictates that you retain cash as long as possible. So pay your vendors on time — not too early. Of course, if suppliers offer discounts for early payment, take advantage of

cost savings whenever possible. Also consider negotiating with suppliers to extend payment terms.

**Time large expenses.** If you know a property tax payment is due in March, start setting aside money in a separate fund. The same holds true for any large payment that comes due during the year. If your equipment is nearing the end of its useful life or your roof is showing signs of wear, start saving now. Don't let big expenditures catch you by surprise.

By taking these steps and endeavoring to smooth out cash fluctuations, proficient managers keep their companies strong throughout the business cycle.



# HOGAN ♦ HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

Accountants with *Personality*

RETURN SERVICE REQUESTED

PRSRT STD  
U.S. POSTAGE  
PAID  
Belmond, IA  
PERMIT NO. 54

1601 Golden Aspen Drive, Suite 107

**Ames, IA 50010**

1370 NW 18th Street, Suite 101

**Ankeny, IA 50023**

2750 First Avenue, NE, Suite 150

**Cedar Rapids, IA 52402**

200 North Adams Avenue

**Mason City, IA 50401**

3128 Brockway Road

**Waterloo, IA 50701**

[www.hoganhansen.com](http://www.hoganhansen.com)

Every day may  
not be good...  
but there's  
something good  
in every day.

- ALICE MORSE EARLE

**A fallen leaf is nothing more than  
a summer's wave goodbye.**

- UNKNOWN

The elimination diet: Remove anger,  
regret, worry, resentment, guilt and blame.  
Then watch your health and life improve.

- CHARLES F. GLASSMAN

## NOTABLE QUOTES

**Autumn, the  
season that  
teaches us that  
change can be  
beautiful.**

- UNKNOWN

Enjoy the little things in life, for one day you may  
look back and realize they were the big things.

- ANTONIO SMITH

**When I started counting my blessings,  
my whole life turned around.**

- WILLIE NELSON

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details and/or professional assistance.

**Nick Aarsen**  
Principal

**Jennifer Decker**  
Principal

**Steve Duggan**  
Principal

**Damian Hurmence**  
Principal

**Laura Monaghan**  
Principal

**Dennis Muyskens**  
Principal

**Lisa Wall**  
Principal

**Kristi Wick**  
Principal

**Ames**

**Ankeny**

**Cedar Rapids**

**Mason City**

**Waterloo**