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## May 2021 Individual Due Dates

### May 17 - Individual Tax Returns Due

File a 2020 income tax return (Form 1040 or 1040-SR) and pay any tax due. If you want an automatic extension of time to file the return, please call this office if you have not already contacted us.

Note: The normal due date for individual returns is April 15. However, the IRS extended it to May 17 for 2020 individual income tax returns.

## Owe Taxes and Can't Pay by the Due Date?

The vast majority of Americans get a tax refund from the IRS each spring, but what if you are one of those who ends up owing?

The IRS encourages you to pay the full amount of your tax liability on time by imposing significant penalties and interest on late payments if you don't. So if you are unable to pay the tax you owe, it is generally in your best interest to make other arrangements to obtain the funds for paying your taxes rather than be subjected to the government's penalties and interest. Here are a few options to consider. Although they all have negative connotations, they are all better than the penalties and interest the IRS could impose, not to mention the time and headache of dealing with IRS communications and the possibility of wage, bank account and asset levies.

- **Family Loan** – Obtaining a loan from a relative or friend may be the best bet because this type of loan is generally the least costly in terms of interest.
- **Credit Card** – Another option is to pay by credit card with one of the service providers that works with the IRS. However, since the IRS will not pay the credit card discount fee, you will have to pay it and pay the higher credit card interest rates.
- **Installment Agreement** – If you owe the IRS \$50,000 or less, you may qualify for a streamlined installment agreement where you can make monthly payments for up to six years. You will still be subject to the late payment penalty, but it will be reduced by half. Interest will also be charged at the current rate, and there is a user fee to set up the payment plan. In making the agreement, you will have to agree to keep all future years' tax obligations current. If you don't make your payments on time or have an outstanding past due amount in a future year, you will be in default of the agreement and the IRS has the option of taking enforcement actions to collect the entire amount owed. If you will be seeking an installment agreement exceeding \$50,000, you will need to validate your financial condition and the need for an installment agreement by providing the IRS with a Collection Information Statement (financial statements). You may also pay down the balance due to \$50,000 or less to take advantage of the

streamlined option.

- **Tap a Retirement Account** – This is possibly the worst option for obtaining funds to pay your taxes because you are jeopardizing your retirement and the distributions are generally taxable at your highest bracket, which adds more taxes to your existing problem. In addition, if you are under age 59½, the withdrawal is also subject to a 10% early withdrawal penalty that compounds the problem even further.

If you would like to discuss your options, please give this office a call.

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## SBA Raises Loan Limit For COVID-19 EIDL Loans to \$500,000

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As U.S. businesses continue to recover from COVID-19's economic devastation, the U.S. Small Business Administration (SBA) is expanding loan opportunities. The agency announced that beginning the week of April 6th, nonprofits and small businesses will be able to borrow up to \$500,000 for up to 24 months. This expansion of the COVID-19 Economic Injury Disaster Loan (EIDL) program more than triples the existing limit of six months and a maximum loan amount of \$150,000.

In a news release announcing the change, SBA Administrator Isabella Casillas Guzman said, "More than 3.7 million businesses employing more than 20 million people have found financial relief through SBA's Economic Injury Disaster Loans, which provide low-interest emergency working capital to help save their businesses. However, the pandemic has lasted longer than expected, and they need larger loans."

Businesses that had already applied for a COVID-19 EIDL loan need not worry about reapplying, as all applications in process will automatically be considered for the increased amounts. Similarly, instructions will be published to allow those who have already been approved for a loan to apply for the expanded amounts. A loan increase can be requested via SBA.gov, and an email will go out to all previously approved borrowers containing the same information.

The COVID-19 EIDL program has been extremely successful, with over \$200 billion in loans already approved by the SBA. Small businesses, including independent contractors and sole proprietors, have been provided 30-year maturity loans at a 3.75% interest rate, while not-for-profits will pay 2.75% in interest.

In more good news for borrowers, on March 12th the SBA announced that borrowers for all disaster loans, including the COVID-19 EIDL loans, would be provided extended deferment periods. Interest will still accrue on all outstanding loan balances, so though payments are not required until 2022, borrowers do have an incentive to begin paying their balance off sooner.

If you have any questions about the EIDL loan limit expansion and how it could affect your business, please contact our office.

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Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

Scott Jensen  
Kramer & Jensen, LLC

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