

# 2021 TAX PLANNING UPDATE FOR BREWERIES



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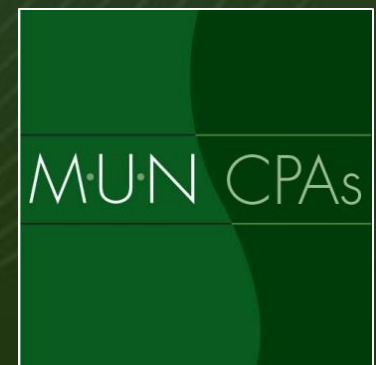
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# TOPICS OF DISCUSSION

- Build Back Better Act is still pending
- Remaining credits/deductions
- Top tax planning considerations to make now

# 1. EMPLOYEE RETENTION CREDIT!!

- Employee Retention Credit
  - Need to claim for 2020 (up to 5k per employee)
  - Claim also for Q1 & Q2 of 2021 ( up to 14k per employee)
  - Check Q3 Gross Revenues Drop >20%?
  - Taxable federally, not State

## 2. ACCELERATED DEPRECIATION

- Section 179 available for Federal expenditures up to \$1,040,000
  - Cannot create a loss, but can be carried forward
  - Basis Considerations
- Bonus Depreciation (Special) Available for qualifying property up to 15 year class life (Tennant Improvements)
  - Can generate a loss
- CA Non-conformity
  - No Bonus
  - Section 179 limited to 25k

# 3. FICA TIP CREDIT

- Credit equal to the amount of Social Security and Medicare taxes paid by the employer (You) on tips reported by employees:
- Claimed on form 8846 (IRS) equal to 7.65% of tips reported in box 7 of form W3
- **Example: W3 box 7: \$114,000 x 7.65% = \$8,721 credit**

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Ordinary business income (loss)	13	Credits
	115,518.	N	8,721.
2	Net rental real estate income (loss)		-----
3	Other net rental income (loss)		-----
4	Interest income		-----
5 a	Ordinary dividends		-----

## 4. R&D CREDIT

- Credit generated against expenses incurred in R&D activities
  - Process improvement
  - Design/layout
  - Experimentation
  - Sour/Barrel program
- Applicable expenses include
  - Wages
  - Supplies
  - Outside Contractors
- Can offset payroll taxes for first 5 years in operation
- 20 year carryforward



# 5. COMPENSATION

- Bonus key employees
  - Stock Options/profits interests?
- Reasonable compensation for officers (s-corp requirement)
- Ensure enough wages to maximize R&D, Section 199a, etc.
- Wages allow for Self Employed Health Insurance deduction



## 6. RETIREMENT PLANS

- Lots of options SIMPLE/SEP/401k
- Tax credit equal to 50% of costs (with certain limits) up to 10k per year for first 3 years
- Offer matching/vesting
- SIMPLE max \$13,500 (\$14,000 in 2022)
  - \$3,000 catch up over 50
- 401(k) max \$19,500 (\$20,500 in 2022)
  - \$6,500 Catch up over 50
- Calsavers – 5EEs or more you Must offer some type of plan can go no cost through calsavers but must administer: [calsavers.com](http://calsavers.com)

## 7. AB 150

- California election to pay taxes at the entity (s-corp, LLC, Partnership) level and pass through a credit to the individual shareholder/partners
- Allows a workaround of the 10k SALT limitation for individual itemized deductions
- Will explode if the IRS repeals the SALT limitation

## 8. NOL CARRYBACK

- If a loss was generated in 2020 we can now carryback up to 5 years to recapture taxes previously paid
- File a 1045 Application for tentative refund if within 12 months
- File an amended return if beyond that time
- Need to consider future tax rates/implications before doing so

*Thank you for attending! If you have any questions on any of the material covered today, please feel free to reach out to us for a complimentary consultation.*

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