New laws and the rapidly changing environment brought on by the COVID-19 pandemic have presented new tax challenges this year. As 2020 draws to a close, there is still time to reduce your 2020 tax bill and plan ahead for 2021. This letter highlights several potential tax-saving opportunities for you to consider. I will arrange to meet with you to discuss specific planning opportunities and issues that you might have in mind.

How Does Deferring Income Help?

Although C corporations enjoy a flat 21% statutory tax rate and pass-through entities are taxed at lower rates following the 2017 Tax Cuts and Jobs Act (TCJA), income deferral remains an important consideration in business tax planning. If a taxpayer expects taxable income to be higher in 2020 than 2021, or if the taxpayer anticipates being taxed at a higher rate in 2020 than 2021, the taxpayer may benefit by deferring income into 2021. Of course, if a business owner is subject to the individual alternative minimum tax (AMT), or an S corporation is subject to the passive investment income tax, this type of standard tax planning may not be warranted. Some ways to defer income are discussed below.

Use of Cash Method of Accounting: By adopting the cash method of accounting instead of the accrual method, a taxpayer generally can put itself in a better position for accelerating deductions and deferring income. An automatic change to the cash method can be made by the due date of the return including extensions. A business entity generally must obtain IRS consent to change either an overall method of accounting or the accounting treatment of any material item. To do so, the business generally must file Form 3115, Application for Change in Accounting Method. Certain C corporations and partnerships with a C corporation partner with average annual gross receipts of $25 million or less for the prior three tax years can make an automatic change to the cash method. Provided inventories are not a material income producing factor, sole proprietors, limited liability companies (LLCs), partnerships, and S corporations can change to the cash method of accounting without regard to their average annual gross receipts.

Installment Sales: Generally, a sale occurs on the transfer of property. If gain will be realized on the sale, income recognition will normally be deferred under the installment method until payments are received, so long as one payment is received in the year after the sale. Therefore, if a business is expecting to sell property prior to the end of 2020, and it makes economic sense, consider selling the property and reporting the gain under the installment method to defer payments (and tax) until 2021 or later.

Delay Billing: If a taxpayer uses the cash method of accounting, the taxpayer may consider delaying year-end billing to clients so that payments are not received until 2021.

Defer Interest and Dividends: Interest income earned on Treasury securities and bank certificates of deposit with maturities of one year or less is not includible in income until received. To defer interest income, the taxpayer could consider buying short-term bonds or certificates that will not mature until 2021. A taxpayer will only be taxed in 2020 on dividends for which there is constructive receipt before year end. Owners of closely-held corporations may consider delaying dividends unless other provisions prevent such delay.

Should the Taxpayer Accelerate Income into The Current Year?

A business taxpayer may benefit from accelerating income into the current year. For example, the taxpayer may anticipate being taxed at a higher rate in 2021, or perhaps the taxpayer needs additional income this year to take advantage of an offsetting deduction or credit that will not be available in a future tax year. Note, however, that accelerating income into 2020 could be disadvantageous if the taxpayer expects to be in the same or lower tax bracket for 2021.

Early Collection: A business that reports business income and expenses on a cash basis could issue bills and pursue collection before the end of 2020. Also, the taxpayer could check to see if clients or customers are willing to pay for January 2021 goods or services in advance. Any income received using these steps will shift income from 2021 into 2020.

Qualifying Dividends: Qualified dividends are subject to rates similar to the capital gains rates. Qualified dividend income is generally subject to a 15% or 20% rate dependent upon statutory thresholds. The thresholds are not tied to specific income tax brackets, but roughly speaking, the 20% rate applies to those in the 37% rate bracket and most of those in the 35% bracket, while the 15% rate applies to those at or above the 22% rate. Note that qualified dividends may be subject to an additional 3.8% net investment income tax. Qualified dividends are typically dividends from domestic and certain foreign corporations. The corporate board may consider the tax impact of declaring a dividend on its shareholders. If a controlling shareholder is not in the highest capital gains bracket for 2020, but expects to be in a higher bracket in 2021, consideration should be made as to authorizing any dividend payment prior to the end of the 2020 to utilize the more favorable 15% tax rate.

Should an Owner of a Closely Held Family Business Consider Gifting Interests?

Owners of closely held businesses may want to consider gifting an interest in the business (corporate stock or interests in family limited partnerships or LLCs). A taxpayer may take advantage of valuation discounts (marketability and minority discounts) and the 2020 gift tax exclusion of $15,000 per donee ($30,000 when gift-splitting) when gifting family business interests before year end.

Are There Business Deductions that Can Be Accelerated into The Current Year?

Bad Debts: If a business uses the accrual method, business accounts receivable should be analyzed and those receivables that are totally or partially worthless should be written off. By identifying specific bad debts, the taxpayer should be entitled to a deduction. The taxpayer may be able to complete this process after year's end if the write-off is reflected in year-end financial statements. For non-business bad debts (such as uncollectible loans), the debts must be wholly worthless to be deductible, and will probably only be deductible as a capital loss.

Current-Year Bonuses: In general, a taxpayer's liability for employee bonuses accrues and is deductible for the current year even though the bonus is paid in the following year, if all the events are satisfied that fix the liability and the taxpayer does not have a unilateral right to cancel the bonus at any time prior to payment. Generally, the taxpayer may accelerate the bonus deduction into the current year while the employees will report the income in the following year if they are cash method taxpayers. Furthermore, any compensation arrangement that defers payment will be currently deductible only if paid within 2½ months after the employer's year-end.

Suspended Passive Losses: Generally, a taxpayer may have passive losses that have been suspended and not yet allowed as a deduction. Determine what might be done to identify and absorb or release the suspended losses as part of the taxpayer's overall tax planning.

Prepayment of Taxes: For taxpayers that pay payroll taxes on a quarterly basis, consider accelerating 4th quarter payroll taxes at December 31 year-end and do not wait until January 15, 2021. Consider accelerating state income estimated taxes and property taxes if possible if the taxpayer would benefit from a current year state income tax deduction. AMT should be considered for pass-through entities taxed at individual rates if accelerating state income and property taxes.

What Tax Credits Are Available to the Taxpayer?

Generally, tax credits reduce a taxpayer's liability on a dollar-for-dollar basis. There are many tax credits available to taxpayers, consider the taxpayer's eligibility for the following credits, for example.

Research and Development (R&D) Tax Credit: Some business projects, such as those involving development of new or more reliable products, processes, or techniques, may be eligible for the R&D tax credit. Eligible small businesses ($50 million or less in gross receipts) may claim the R&D tax credit against alternative minimum tax liability (which no longer applies to C corporations due to the repeal of the corporate AMT by the 2017 TCJA), and the credit can be used by certain qualified small businesses against the employer's payroll tax (i.e., FICA) liability.

Employer Wage Credit for Employees in the Uniformed Services: Some employers continue to pay all or a portion of the wages of employees who are called to active service. The amount of the credit is equal to 20% of the first $20,000 of differential wage payments to each employee for the taxable year. Employers of any size with a written plan for providing such differential wage payments are eligible for the credit.

Work Opportunity Credit: The work opportunity credit is an incentive provided to employers who hire individuals in groups whose members historically have had difficulty obtaining employment. The credit gives a business an expanded opportunity to employ new workers and to be eligible for a tax credit based on the wages paid. The credit is available for first-year wages paid or incurred in the tax year for employees hired and who began work before December 31, 2020. Employers who hire members of targeted groups, including qualified long-term unemployed individuals (i.e., those who have been unemployed for 27 weeks or more), will be entitled to a credit equal to 40% of the first $6,000 of wages. Employers who hire qualified veterans will be entitled to a credit equal to 40% of a higher wage limit, with the wage limit dependent on the reason for qualification.

Small Employer Pension Plan Startup Cost Credit: Certain small business employers that did not have a pension plan for the preceding three years may claim a nonrefundable income tax credit for expenses of establishing and administering a new retirement plan for employees. The credit applies to 50% of qualified administrative and retirement-education expenses for each of the first three plan years. The credit is limited to the greater of (a) $500; or (b) the lesser of (i) $250 for each eligible employee, or (ii) $5,000. Thus, the maximum available credit is limited to $5,000 per year.

Small Employer Retirement Savings Auto-Enrollment Credit: Starting in 2020, certain small business employers that include an eligible automatic contribution arrangement in a qualified employer plan may claim a nonrefundable income tax credit of $500 for each of the first three plan years.

Employer Credit for Family and Medical Leave Act Wages: An eligible employer may take a paid family and medical leave credit of between 12.5% and 25% of the wages paid to the employee, depending on what portion of the employee's normal wages are paid during the leave (minimum 50% of wages).

Employer Credit for Sick and Family Leave under the Families First Coronavirus Response Act: Businesses and tax-exempt organizations with fewer than 500 employees are required to pay sick leave to an employee who is unable to work or telework because the employee is quarantined or experiencing COVID-19 symptoms, or because the employee is caring for an individual who is quarantined or experiencing COVID-19 symptoms. Such businesses are also required to pay family and medical leave to an employee who is unable to work or telework because the employee is caring for a child whose school is closed or whose child-care provider is unavailable due to COVID-19. Employers are entitled to fully refundable tax credits equal to the required paid sick or family leave wages. Employers report their total qualified leave wages and claim the credit on their quarterly employment tax forms, typically Form 941, Employer's Quarterly Federal Tax Return. In order to fund qualified wages, employers may in anticipation of receiving the credits, access federal employment taxes including withheld taxes ordinarily required to be deposited with the IRS, or funds are insufficient request an advance payment from the IRS on Form 7200, Advance Payment of Employer Credits Due to COVID-19. Certain self-employed individuals are entitled to a refundable credit for sick or family leave if the individual would have been entitled to receive required paid sick or family leave had the individual been an employee of an employer.

Employee Retention Credit for Employers Subject to Closure Due to COVID-19: Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), an employer may be eligible for the employee retention credit if, during an applicable calendar quarter, the employer's business was fully or partially suspended due to orders from an appropriate government authority or suffered a significant decline in gross receipts. The credit applies to qualified wages paid (and certain health insurance costs) to retained employees after March 12, 2020 and before January 1, 2021. Qualified wages do not include wages for which the employer took a credit for either the Credit for Family and Medical Leave Act Wages or the Families First Coronavirus Response Act. Employees are not counted for the credit if the employer took the Work Opportunity Credit for that employee. The maximum credit with respect to any retained eligible employee is $5,000. Employers report their total qualified wages and health insurance costs and claim the credit on their quarterly employment tax forms, typically Form 941, Employer's Quarterly Federal Tax Return. In order to fund qualified wages, employers may in anticipation of receiving the credits, access federal employment taxes including withheld taxes ordinarily required to be deposited with the IRS, or funds are insufficient request an advance payment from the IRS on Form 7200, Advance Payment of Employer Credits Due to COVID-19. Employers participating in the Paycheck Protection Program are not eligible for the credit.

Energy Investment Credit: The energy investment credit is available for investments in certain alternative and renewable energy property and renewable electricity production facilities. The credit is either 10% or 30% of the basis of energy property placed in service during 2020.

Rehabilitation Tax Credit: Qualified expenses incurred in the rehabilitation of certified historic structures are eligible for a credit of 20% of such expenses. The credit is claimed in five equal annual installments beginning with the year in which the rehabilitated property is placed in service.

Accelerating AMT Refunds: The TCJA repealed the corporate alternative minimum tax (AMT), and allowed corporations to claim all their unused AMT credits in the tax years beginning in 2018, 2019, 2020, and 2021. The CARES Act accelerates this timeline, and allows corporations to claim all remaining credits in either 2018 or 2019. This gives companies options to file for quick refunds. The fastest method for many corporations is to file tentative refund claim on Form 1139, Corporation Application for Tentative Refund.

What Income Exclusions Are Available?

Qualified Small Business Stock: Stock acquisitions that qualify as “small business stock” under §1202 are subject to special exclusion rules upon their sale as long as a five-year holding period is satisfied. S corporation stock does not qualify for the exclusion. A 100% gain exclusion applies for qualified small business stock acquired after September 27, 2010, and held for more than five years. A 75% exclusion applies for qualified small business stock acquired after February 17, 2009, and before September 28, 2010 (and held for at least five years). A 50% exclusion applies for qualified small business stock acquired before February 18, 2009 (and held for at least five years).

What Business Deductions Are Available to the Entity?

Qualified Business Income: Individual taxpayers with qualified business income (QBI) from a pass-through entity (partnership or S corporation) or a sole proprietorship may be entitled to a deduction equal to the lesser of the deductible amount of the QBI or 20% of taxable income. The deduction applies to reduce taxable income and is available whether or not the taxpayer itemizes. The deduction does not impact the calculation of self-employment tax. The trade or business of being an employee is not a qualified trade or business and, therefore, no deduction is allowed for income from the trade or business of being an employee. The deductible amount of QBI is generally 20%. However, if the taxpayer's taxable income (not factoring in the deduction) exceeds $326,600 (joint filers), or $163,300 (all other taxpayers), the deduction is subject to a limitation based on W-2 wages paid by the business.

Limitation on Business Interest: The deduction for net interest expenses incurred by a taxpayer is limited to the sum of business interest income, 50% of the business's adjusted taxable income (ATI), and floor plan financing interest, though taxpayers with average annual gross receipts of $26 million or less are exempt from the limit. Further, the limitation does not apply to the trade or business of being an employee, electing real property trades or businesses, electing farming businesses, or certain regulated utilities. Taxpayers may elect to substitute 2019 ATI for 2020 ATI. Further, taxpayers may elect out of the increase to 50% of ATI and use the standard 30% of ATI to determine their limitation. Due in part to the CARES Act correction of the so-called “retail glitch” by assigning a recovery period to qualified improvement property, the IRS issued Rev. Proc. 2020-22 permitting taxpayers to make late or withdraw existing elections for real property trades or businesses and farming businesses.

Excess Business Loss: The CARES Act postponed application of the limitation on excess business losses until tax years beginning in 2021.

Equipment Purchases: Taxpayers (individuals or corporations) purchasing equipment may make a “ §179 election,” which allows them to expense (i.e., currently deduct) otherwise depreciable business property, including computer software and qualified real property. Air conditioning and heating units placed in service since 2016 are eligible and continue to be eligible for this deduction. Certain improvements to nonresidential real property (roofs, heating, ventilation, and air-conditioning property, fire protection and alarm systems, and security systems), that may not be eligible for bonus depreciation, are eligible under §179. For 2020, taxpayers may elect to expense up to $1,040,000 of equipment costs (with a phase-out for purchases in excess of $2,590,000). The deduction is subject to a business income limit. In addition, careful timing of equipment purchases can result in favorable depreciation deductions in 2020. In general, under the “half-year convention,” taxpayers may deduct six months' worth of depreciation for equipment that is placed in service on or before the last day of the tax year. (If more than 40% of the cost of all personal property placed in service occurs during the last quarter of the year, however, a “mid-quarter convention” applies, which lowers the depreciation deduction.)

Bonus Depreciation: For property acquired after September 27, 2017, and placed in service during 2020, a taxpayer may deduct 100% of the cost of qualified property in 2020. The CARES Act assigned a recovery period to qualified improvement property (QIP), thus making such property eligible for bonus depreciation. This correction of the so-called "retail glitch" is retroactive as if included in the 2017 TCJA. Therefore, a taxpayer may fully deduct qualified improvements dating back to January 1, 2018. Taxpayers who filed 2018 and 2019 returns before the law changed can choose whether to reflect the additional retroactive deduction entirely in the 2020 year with an accounting method change, or amend both the 2018 and 2019 returns to apply bonus depreciation for QIP in each of those years. Bonus depreciation applies to new as well as used property, so taxpayers planning to acquire a business should consider whether structuring the acquisition as an asset acquisition rather than a stock acquisition would be advantageous.

Vehicles Weighing over 6,000 Pounds: A popular strategy is to purchase a vehicle for business purposes that exceeds the depreciation limits set by statute (i.e., a vehicle rated over 6,000 pounds). Doing so would not subject the purchase to the dollar limit for depreciation of passenger vehicles of $10,100 in 2020 (if bonus depreciation is taken, the amounts increase to $18,100). For SUVs (rated between 6,000 and 14,000 pounds gross vehicle weight) the expensing amount is limited to $25,900.

Self-Employed Health Insurance Premiums: Self-employed individuals are allowed to claim 100% of the amount paid during the taxable year for insurance that constitutes medical care for themselves, their spouses, and their dependents as an above-the-line deduction, without regard to the general 10%-of-AGI floor. Self-employed health insurance includes eligible long-term health care premiums.

Capitalization of Tangible Property: Recent rules clarify whether certain items purchased for use in a business (i.e., copiers, computers) can be expensed in the year purchased, or must be capitalized and deducted over several years. The rules include certain elections that may simplify recordkeeping and/or increase current deductions.

Home Office Deduction: For self-employed individuals, expenses attributable to using the home office as a business office are deductible if the home office is used regularly and exclusively: (1) as a taxpayer's principal place of business for any trade or business; (2) as a place where patients, clients, or customers regularly meet or deal with the taxpayer in the normal course of business; or (3) in the case of a separate structure not attached to the residence, in connection with a trade or business. If a taxpayer uses part of the home as a business office, determining the amount of any deduction available can be tricky but an IRS-provided safe harbor could be used to minimize audit risk.

NOL Carryforward and Carryback: If the taxpayer expects to suffer a net operating loss for 2020, it may generally carry the loss back five years or forward indefinitely. Non-life insurance companies with a net operating loss in 2020 may carry the loss back five years but may only carry the loss forward 20 years and REITs are not permitted a carryback but carry losses forward indefinitely. Taxpayers may elect to waive the carryback period and instead choose to only carry forward losses. Taxpayers should be aware that deductions for losses arising after 2017 and carried forward to 2021, are limited in 2021 and later years to 80% of taxable income.

A taxpayers that expects a tax loss for the current year and that has paid estimated taxes, should consider seeking a quick refund of overpayments. A corporation may file Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax, to recover any overpayment of estimated tax for the tax year over the final income tax liability expected for the tax year. Be aware that if a corporation has a loss in 2020 and income in 2021, it will have to make estimated tax payments for 2021. For losses expected to be incurred on an individual return, the filing of Form 1045, Application for Tentative Refund, may be applicable.

Business Travel, Meals and Entertainment Expenses: Although significantly limited, business deductions for meal and entertainment expenses are still available in certain circumstances. A more complete discussion of the rules and requirements governing the deductibility of such expenses can be found in Practice Guides & Checklists: Deducting Travel and Transportation Expenses (§162(a), §274(d)) and Practice Guides & Checklists: Substantiating Business Expenses (§274(d)).

Charitable Contributions: A charitable contribution deduction is available to businesses. A corporation is generally allowed to deduct charitable contributions up to 10% of its taxable income. Under the CARES Act, the corporate limitation is increased to 25% of taxable income for contributions made in calendar year 2020. Contributions by pass-through entities are allocated to individual equity interest holders and are subject to the individual's limitations. An individual is generally allowed to deduct charitable contributions up to 60% of adjusted gross income. Under the CARES act, the individual limitation is increased to 100% of adjusted gross income for cash contributions made in calendar year 2020. Further, the CARES Act creates a temporary above-the-line deduction for up to $300 in cash contributions. Certain contributions of property are subject to additional limits as well as additional recordkeeping and substantiation requirements.

Should a Corporation Make an S Corporation Election?

S Corporation Election: For an otherwise eligible C corporation, consider whether an S corporation election would make sense. A detailed tax analysis needs to be prepared, which should include a comparative discounted after-tax, cash-flow analysis of C corporate status versus S status. The analysis would focus on the marginal and effective tax rates on corporate income under various scenarios as a C corporation and S corporation.

Passive Income and S Corporations: S corporations that were formerly C corporations, and that have subchapter C earnings and profits at year-end, need to monitor the amount of their passive income, or subject themselves to the passive income tax or termination of their S corporation status. S corporations can avoid both of these consequences by electing to distribute the subchapter C earnings and profits first, or by making a consent dividend election. Either the distribution or consent dividend can purge the S corporation of all its earnings and profits at year end. For the closely held

C Corporation, an S corporation election needs to be considered from time to time. In considering a conversion to S status, the C Corporation must first confirm its eligibility. A key component of this analysis will include assumptions on potential sources of passive investment income the converting C Corporation may have as an S corporation, e.g., gross receipts from royalties, rents, dividends, interest, or annuities. If the converting C Corporation will have accumulated earnings and profits (E&P) at the end of any of its Subchapter S tax years, and it has the requisite gross receipts from passive investment income, a passive investment income tax may apply.

Built-in Gains and S Corporations: S corporations with recognized built-in gains subject to the built-in gains tax, can offset these gains with recognized built-in losses before the corporation's tax year ends and eliminate the tax.

Closing the Books and S Corporations: When the S Corporation terminates its status, a shareholder terminates its interest, or there is a qualifying disposition of stock, an election to close the books is available.

What Health Care and Other Benefit Planning is Available?

Pay or Play Excise Tax: For the 2020 plan year, if the taxpayer has 50 or more full-time equivalent employees, they could be subject to an excise tax, which could be as much as $2,570 per full-time employee, for failure to offer a health care plan that is minimum essential coverage to at least 95% of the full-time employees if at least one employee obtains subsidized coverage through a public health insurance exchange. The first 30 workers are excluded from this calculation. If the taxpayer does offer coverage but it is not adequate or is unaffordable, the excise tax could be $3,860 for each full-time employee who obtains subsidized coverage through an exchange. Smaller employers should review whether they have undergone, or will soon undergo, any changes to their business structure that would require them to be aggregated with other entities and subject them to potential liability. Larger employers should consider their health care plan options in light of this potential excise tax liability.

Health Care Reporting: Filings for 2021 Forms 1095-C and 1094-C, generally for employers with 50 or more full-time equivalent employees, and Forms 1095-B and 1094-B, for employers with self-insured plans and other providers of minimum essential coverage, are due by March 1, 2021, if the taxpayer is filing on paper, or by March 31, 2021, if the taxpayer is filing electronically. Statements to employees are due by March 2, 2021, extended from January 31, 2021.

Health Reimbursement Arrangements: Certain small employers that want to assist their employees in obtaining health insurance may choose to set up a qualified small employer health reimbursement arrangement. The QSEHRA, unlike other health reimbursement arrangements, is a tax-favored arrangement that is not considered a group health plan and does not expose the employer to excise taxes for not satisfying Affordable Care Act insurance market requirements. It's available to employers that have fewer than 50 full-time equivalent employees, do not offer any health plan, and meet other requirements.

Credit for Employee Health Insurance Expenses of Small Employers: Some small employers that provide health coverage to their employees through a Small Business Health Options Program (SHOP) Exchange may be eligible to claim a credit in 2020 if they pay for at least half of the premiums for health insurance coverage for their employees. Generally, employers with 10 or fewer full-time equivalent employees (FTEs) and an average annual per-employee wage of $27,100 or less are eligible for the full credit. In 2020, the credit amount begins to phase out for employers with either 11 FTEs or an average annual per-employee wage of more than $27,600. The credit is phased out completely for employers with 25 or more FTEs or an average annual per-employee wage of $55,200 or more. The credit is available on a sliding scale for up to 50% of the employer's contribution toward employee health insurance premiums. The credit is available only for two consecutive taxable years after 2013, so it is not available to a taxpayer if the taxpayer or a predecessor claimed it for 2018.

Employee Transportation Expenses: Employers may not deduct expenses paid or incurred in 2020 for transportation benefits provided to employees for commuting between home and work unless the expense is necessary to ensure the safety of the employee. Except for bicycle commuting benefits, all or a portion of the benefit still is excludible from the employee's income, however.

SEP-IRAs, 401(k) Plans, and Roth Conversions: Generally these plans are applicable to self-employed individuals. The SEP-IRAs and 401(k) plan are deferral opportunities. The taxpayer maximizes contributions to these plans — $26,000 for self-employed 401(k) if age 50 or older, and even more for the SEP-IRAs depending on self-employment income. A Roth conversion makes sense if the current year tax rate is lower (a conversion accelerates income) than the marginal rate when the principal is withdrawn.

Reporting

Form 1120: A corporation must file a tax return every taxable year, regardless of the relevant amount of gross income. C corporations file Form 1120, which is due by the 15th day of the fourth month following the close of the corporation's taxable year. A calendar year corporation, for example, files its return by April 15. Exception: for June 30 fiscal year C corporation filers, the filing deadline is September 15.

Review Schedule Requirements: For example, taxpayers must disclose certain uncertain tax positions on Schedule UTP if taxpayer files Form 1120 (Form 1120-F, Form 1120-L, Form 1120-PC, including protective filings) and meets certain other requirements. There is generally an automatic six month extension for calendar year C corporations, and an automatic seven-month extension for fiscal-year C corporations with a taxable year ending on June 30.

Form 1120S: An S corporation must file Form 1120S, which is due by the 15th day of the third month following the close of the S corporation's taxable year. A calendar year S corporation, for example, files its return by March 15.

Form 1065: A partnership must file Form 1065, which is due by the 15th day of the third month following the close of the partnership's taxable year. A calendar year partnership, for example, files its return by March 15.

Review Schedule Requirements: For example, capital gains and losses of partnerships are reported on Schedule D of IRS Form 1065, and each partner's proportionate share of the long-term and short-term gain or loss is reported on the Schedules K-1 of the Form 1065 and on the partner's separate income tax return.

FBAR: U.S. persons holding any financial interest in, or signature or other authority over, a foreign financial account exceeding $10,000 at any time in a calendar year must file a Report of Foreign Bank and Financial Accounts (FBAR) with the Treasury Department. The due date for 2020 is the same as the U.S. tax filing deadline of April 15, 2021 (unless extended by a weekend or holiday), with an automatic six-month extension to October 15. Accordingly, specific requests for this extension are not required.

FATCA: The Foreign Account Tax Compliance Act (FATCA) requires reporting and possible withholding on payments made to foreign entities, whether the foreign payees are financial institutions or not. All compliance processes need to be in place in advance of making any payments to foreign entities.

Electronic Deposits Electronic Funds Transfer: A corporation must make its deposits of income tax withholding, FICA, FUTA, and corporate income tax by electronic funds transfer (EFT), including through the IRS's Electronic Federal Tax Deposit System (EFTPS).

Penalties: Taxpayer should be made aware of any penalties that may apply. The tax code imposes a host of penalties for late-filed returns, failing to file returns, failing to furnish information returns, and failing to pay tax. Many penalties are subject to inflation adjustments.

Estimated Tax Payments: A corporation (other than a large corporation) generally may be able to avoid any underpayment penalties by paying estimated taxes based on 100% of the tax shown on the prior year return. A large corporation is a corporation that had taxable income of $1 million or more for any of the three tax years immediately preceding the current year.

Documentation: Before the end of the year the taxpayer should hold any required board meetings, properly document any minutes, and collect any documentation that may be needed to substantiate tax returns upon audit. Further, partnerships should consider revising partnership agreements to reflect changes to partnership audit procedures under the Bipartisan Budget Act of 2015 that went into effect in 2018.

There is still time to implement the strategies discussed above to minimize your 2020 tax liability and plan for 2021.