

# EAGA Business Builder

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## Today's speaker was Scott Peck—MP Group Inc



For this morning's presentation, Mr. Peck wanted to get right to the topics for his discussion, so he did not take any time to speak about where he grew up, or how he got to his illustrious position as shareholder in the Accounting Firm, MP Group Inc. We can presume that his interests in math and accounting most likely started when his parents began to multiply all those years ago. A good rule of thought is that whomever we are today is the net result of many different experiences and decisions that have occurred during the time from birth until now. The current version of Mr. Peck is pretty impressive, so we can believe that the decisions and experiences that he has had along the way must have been mostly very good ones. So let us also proceed directly to today's discussions. The IRS has issued notifications that they will begin to concentrate on tax compliance regarding Real Estate activities. Although the regulations have existed for a while now, the enforcement has been somewhat lax, however, beginning with the 2020 tax year, the IRS says they will change that. What you need to know: Allowable expenses for Real Estate activities are deductible in the year that they occurred, so long as the entity claiming the deduction is running the activity as a trade or business. That would be 'active' involvement. The IRS has not actually provided definitions for what qualifies as being a trade or business, but they have instead left that decision to the courts. There are, however, some 'safe harbor' guidelines that are acceptable for determining if the expenses can be claimed in the current year. Those guidelines say that an entity can be classified as an 'active' participant by spending at least 250 hours of time performing rental services each year. The time spent has to be well documented though. Meticulous records of the service time have to be kept, noting the time by day, week, and month that the services were performed; what services were done during the specified time; and who performed the services. If the 250 hour specification is not met, the entity is then classified as 'passive' for that year and the deductions have to be deferred to a future filing period when they may be deductible. There are sort of allowances in the guidelines: You can combine time spent on commercial and residential properties, and time spent by contractors or agents also qualify (must still be properly documented). Another topic presented by Scott this morning concerned the potentially devastating changes in proposed legislation concerning estate taxes and the taxable value of property transferred upon death. The proposals would substantially decrease the ceiling for a tax free estate to only \$2 or \$3 million. An estate would be assessed taxes on any value above that. And in the area of asset valuation: current regulations allow for beneficiaries to receive assets from an estate at a 'stepped up' valuation. That means that the beneficiary's basis would be set as the asset's value at the time of the owner's death, not the estate's book value. That proposed legislation would cause taxes to be assessed to the beneficiaries for the difference between estate's book value and the assets' current value; which would, almost always, result in a substantial tax liability to the beneficiaries. A third topic of concern in the proposed tax changes would make like-kind changes no longer be allowed for properties valued in excess of \$1 million. These proposals have obviously not been finalized yet, but the current climate in Washington indicates that we should definitely be concerned. The final form of tax legislation will likely become formalized within the next few months. That is also when we will know whether or not the proposals request any changes to be retroactive. How about a different topic that could be more positive? Employee Retention Tax Credits. Scott had his associate, Donna Peace provide information regarding that subject. The government is allowing credits for wages and health care paid to employees during the pandemic. Actually payments from March 2020 through December 2021. Determining whether or not the credits can be taken requires a few mental and accounting gymnastics though. Basically...the wages and healthcare payments have to be reduced by any PPP funds used to make those payments. Then the calculations are separated for payments made during 2020 and those made during 2021. For 2020: The limit is \$5,000 per employee for the year. For 2021: the limit is \$7,000 per employee for each quarter. But there are more conditions. The business has to have been shut down, completely or partially, during the calculation period. The definition of 'partially' is determined by year as well. For 2020: Gross receipts of the business must have declined by more than 50% from those of the same period in 2019. For 2021: Gross receipts must have declined by more than 20% from those of the same period of 2019. And remember that the 2021 calculations are made on a quarterly basis. Credits are claimed by filing an amended Form 941 (941X) for those periods already reported, otherwise by just using the standard Form 941. There was a lot discussed this morning. If you want to know more about all the topics, or get a more clear understanding of how any of it would pertain to your particular situation, contact Mr. Peck at 505-340-2015. He is quite knowledgeable and is great at providing easy to understand explanations of all the complicated tax stuff. Scott said that you can also contact Ms. Peace directly at 505-551-1193 (mpeace@mpgroup-cpa.com) if you have questions about the employee Retention Tax Credit program. She is quite knowledgeable in the subject, and may not even tell Scott that you were too embarrassed to contact him directly.

Contact information for Executive Director: Mario Hernandez

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- ◆ Our next meeting will be at 7:00am on June 29th at the Tanoan Country Club. Tanoan is following CDC guidelines regarding COVID-19, noting that you are not required to wear a mask if you are fully vaccinated . We will rely on the honor system for that determination.
- ◆ The 2021 Summer Bash is coming up very soon. It will be Saturday, July 10th, at the Turpen's property in the south valley. Google Maps can direct you to El Nido Farm located at El Nido Amado Rd SW & Coors. Since we are not meeting on July 6th, this coming Tuesday (June 29th) will be the last opportunity for you to get signed up. The Bash is always a great event, so please plan on attending. Only those in attendance will have an opportunity to de-throne the reigning corn hole champs, Jon and Janelle Thomas. They have held that prestigious title since the 2019 games and this Bash is your opportunity to try to take the crown. The Bash is free for EAGA members and their spouse/ significant other. Fee for guests will be \$30 per individual / \$50 per couple.
- ◆ We will begin having Badge Board Greeters as of our July 13th meeting. Please contact Mario to sign up for that.
- ◆ Upcoming speakers:

June 29 <sup>th</sup>	<i>*** Speaker needed ***</i>	<u>Badge Board Greeters:</u>
July 6 <sup>th</sup>	<b>NO MEETING - 4th of July Holiday</b>	N/A
July 13 <sup>th</sup>	Miguel Mendoza—perfection Pools & Spas	<b>No Meeting</b>
July 20 <sup>th</sup>	Guest Speaker - Dave Campbell with Mesa Del Sol	** Greeter assignment available **
July 27 <sup>th</sup>	<i>*** Speaker needed. Please sign up ***</i>	** Greeter assignment available **
Aug 3 <sup>rd</sup>	<i>*** Speaker needed. Please sign up ***</i>	** Greeter assignment available **
- ◆ Please consider speaking at one of our Tuesday morning meetings. Any meeting from July 27th forward is up for grabs. Contact Mario ASAP to get your preferred date locked in.
- ◆ *Please note that there will not be a meeting on July 6th in honor of the 4th of July holiday.*

◆ Second announcement for a prospective new member:

PLTi  
Representative: Michael R Vidal  
Category: Fire Alarm Contractor  
Sponsor: Miguel Mendoza

◆ First announcement for a prospective new member:

Window Fashions LLC  
Representative: Bill McConnell  
Category: Window Coverings  
Sponsor: John Mead

If you have an objection to either of these companies becoming a member, or if you have information that you feel should be considered during the review process, please contact Membership Committee Chairman, Jack Zipper (jzipper@comcast.net or via phone at 505-259-5959) as soon as possible.

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