



Designing & Building Your Future

A Blueprint for
Growth & Profitability.



August 2021 Issue

Gray, Gray & Gray Ranked Among Top 200 Accounting Firms in U.S. for Ninth Consecutive Year

Gray, Gray & Gray, LLP (www.gggllp.com), a certified public accounting and business advisory firm in Canton, MA, has been named one of the country's Top 200 accounting firms by INSIDE Public Accounting magazine. The publication ranked Gray, Gray & Gray as the 165th largest accounting firm in the U.S. (up seven spots since 2020) and fourth largest independent accounting firm in Massachusetts. This is the ninth consecutive year the firm has been ranked among the country's Top 200 firms.



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Could Employee Retention Credit End Early?

Tucked away inside the U.S. Senate's trillion-dollar infrastructure bill is a provision that would shorten the time allowed to claim an important tax credit for employers. The Infrastructure Investment and Jobs Act currently being debated in the Senate would narrow the window in which companies can claim the Employee Retention Tax Credit (ERC) by one quarter, ending with wages paid up to October 1, 2021. This



would reduce potential 2021 tax savings from \$28,000 per employee to \$21,000 per employee.

The Employee Retention Tax Credit (ERC) was created in 2020 to offer employers and non-profit organizations an incentive to retain workers on their payroll during the economic slowdown caused by the COVID-19 pandemic. The ERC was extended through 2021 and enhanced, offering a tax credit of up to \$7,000 (70% of the first \$10,000 paid) per eligible employee, per quarter.

To be eligible for the ERC, a company's revenues must have fallen more than 20% in 2021 compared to the same quarter in 2019. There is also a special alternative quarter rule where you can use the prior quarter comparison to test eligibility.

The only exception the Senate bill makes to the shorter eligibility period is for companies that started operations after February 15, 2020 and have annual sales of less than \$1 million.

A reminder: Businesses can still claim a 2020 Employee Retention Credit (albeit a smaller one, capped at \$5,000 per employee, per quarter) by filing an amended 2020 tax return.

If you have questions about the ERC or would like an analysis of your eligibility for the tax credit, please contact Gray, Gray & Gray at (781) 407-0300.

PPP Forgiveness Window Now Open

Small businesses that have a Paycheck Protection Program (PPP) loan of \$150,000 or less can begin applying for forgiveness of the debt as of August 4, 2021. On this date, the Small Business Administration (SBA) launched an online portal that allows smaller PPP borrowers to submit the application for loan forgiveness directly to the SBA, instead of through their lender. The goal is to streamline the forgiveness process. The SBA estimates there are over 6.5 million businesses in the U.S. that could qualify for the streamlined forgiveness process.



If you have additional questions about the PPP loan program, the forgiveness process, or need assistance with cash flow management going forward, please contact Gray, Gray & Gray at (781) 407-0300.

Massachusetts Workaround for the State Tax Cap Limitation

Prior to the passage of the Tax Cuts and Jobs Act of 2017, individual taxpayers were able to deduct state and local property and income taxes from their federal income tax bill, with no limit to the size of the deduction. But, starting in 2018, those state and local deductions were capped at \$10,000 per year, effectively raising taxes on individuals (particularly those who reside in states where state taxes are high). This annual limitation is scheduled to be in place at least until 2026.



More and more states now offer a way to lessen or eliminate this new tax burden by allowing

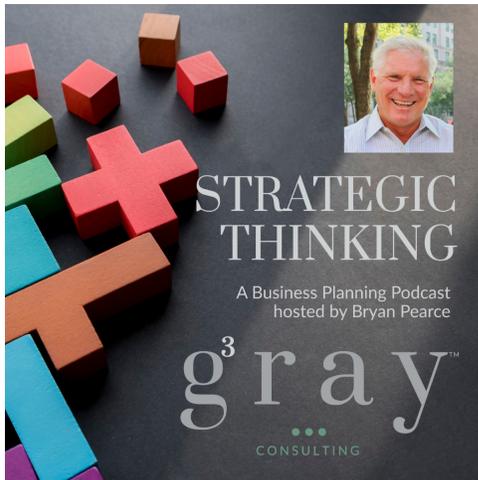
qualified pass-through entities (typically including S corps and LLC partnerships) to voluntarily elect to pay an entity-level state income tax at a rate that is typically equal to the individual state income tax rate. The Tax Cuts and Jobs Act did not place a limit on the amount of state tax that can be deducted on the entity's federal tax return. Eligible owners of the pass-through entity then receive a refundable state tax credit equal to (or, in some cases, nearly equal to) their share of the state income tax paid by the business entity. This effectively restores the full benefit of unlimited deduction of state taxes. The IRS has confirmed that this workaround is acceptable.

Not all states allow full credit for the tax paid. For example, Massachusetts passed a new law (H4009) that incorporates this workaround of the deduction limitation, but only offers an individual a credit equal to 90 percent of the corporate excise tax paid to the state at the entity-level. This law change is effective for tax years beginning on January 1, 2021.

Every individual should consult with a qualified tax advisor and consider the full impact of using this method, both on their business and their individual tax returns. If you have questions about deducting state and local taxes, or any other tax issue please contact Gray, Gray & Gray at (781) 407-0300.

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Our Strategic Thinking from Gray, Gray & Gray podcast series continues!



In episode 3, host Bryan Pearce interviews John Cerulli, CEO of Acumentrics in Walpole, MA. Acumentrics has been a trusted market leader in critical power solutions used in military and commercial applications since 1994. John has over 25 years of experience in both financial and operational management in both public and private companies and is currently leading the strategic planning refresh for Acumentrics.

Click [here](#) to listen to the latest episode now to hear how John has strategically grown and expanded Acumentrics' business over the years to meet the changing power demands of their customers.

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