



Martz & Wilson, LLP  
Certified Public Accountants

## January E-Newsletter

### BUSINESSES

#### Important Dates:

- January 15<sup>th</sup> is the due date for filing income tax returns by a September 30<sup>th</sup> fiscal year end corporation. Form 7004 must be filed to request an additional six month extension.
- January 15<sup>th</sup> is the last day to file March 31<sup>st</sup> fiscal year end corporation returns if additional six month extension was received.

### INDIVIDUALS

#### Important Dates:

- January 15<sup>th</sup> is the due date for remittance of fourth quarter estimated tax payments.

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### Planning Points

#### **2021 Social Security and Medicare Taxes**

The 2021 wage limit for Social Security tax is \$142,800 (2020 limit was \$137,700). Medicare tax is paid on **all** wages in 2021. The social security and medicare rates for both employee and employer for calendar year 2021 are 6.2% and 1.45% respectively. Medicare rates for employees increases to 2.35% when wages exceed \$200,000.

## Mileage Reimbursement

The 2021 standard business mileage rate is 56¢ per mile. The standard business mileage reimbursement rate for 2020 was 57.5¢ per mile.

The standard mileage rate may not be used for a purchased auto if:

- It was previously depreciated using a method other than straight-line.
- A code Section 179 expensing deduction was claimed for the auto.

The standard mileage rate can't be used to compute deductible expenses of five or more autos owned or leased by a taxpayer and used simultaneously.

Taxpayers utilizing the standard mileage rate need not keep a record of actual expenses or retain receipts, but must maintain a record of the time, place, business purpose and number of miles traveled. Under audit, the IRS will ask for maintenance or repair orders that show the odometer reading.

The rate for using a car to get medical care is 16¢ a mile. The mileage rate for driving an auto for charitable use will remain unchanged at 14¢ a mile.

## Retirement Plan Limits

Review your retirement plan deferrals for 2021. Following is a comparison of three of the more popular plans:

Type of Plan	2021 Limits		2020 Limits	
	Under age 50	Age 50 and over	Under age 50	Age 50 and over
IRA	\$ 6,000	\$ 7,000	\$ 6,000	\$ 7,000
401(k)	\$19,500	\$26,000	\$19,500	\$26,000
Simple	\$13,500	\$16,500	\$13,500	\$16,500

## Form 1099

Payments of \$600 or more during the year for services, commissions, subcontracting, professional fees, rent, etc. to nonemployees or unincorporated businesses require that Form 1099 be furnished to the recipient by January 31, 2021. Gross proceeds paid to an attorney must be reported. Interest payments in excess of \$10 must also be reported. If you need assistance with the preparation of your 2020 Forms 1099, please advise us as early in January as possible.

## Missouri Use Tax

Out of state vendors may not charge you sales tax, but you are still liable for 'USE TAX' to the state of Missouri. You are required to file at least annually, if you are a registered business. You are subject to the tax when you have cumulative taxable purchases of \$2,000 or more during the calendar year. Examples of taxable purchases by out-of-state vendors who do not collect sales tax are: subscriptions, books, office supplies and equipment purchased via mail order or over the internet.

If you have registered for paying use tax, you must file the use tax return by January 31, 2021 even if there is no tax due.

### **Missouri Minimum Wage**

The Missouri Department of Labor announces the state minimum wage rate for 2021 has been established, according to state law, at \$10.30, effective January 1, 2021.

All private businesses are required to pay at minimum, the \$10.30 hourly rate, except retail and service businesses whose annual gross sales are less than \$500,000. Pursuant to Proposition B, which was approved by Missouri voters November 6, 2018, the minimum wage will increase 85 cents per hour each year through 2023. Missouri law does not apply to public employers, nor does it allow the state's minimum wage rate to be lower than the federal minimum wage rate.

Compensation for tipped employees must also total at least \$10.30 per hour. Employers are required to pay tipped employees at least 50 percent of the minimum wage, plus any amount necessary to bring the employee's total compensation to a minimum of \$10.30 per hour.

### **Missouri Unemployment Wage Base**

For calendar year 2021, the unemployment insurance taxable wage base for Missouri will drop to \$11,000, from \$11,500 in 2020.

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**Happy New Year to All!!!**

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