

A Guide to Pandemic-Related Tax Breaks

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By

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From a wealth advisor's perspective, keeping up with IRS edicts is part of the job, and that's lately included a flurry of rules related to Covid. Guidelines issued late last month range from allowing purchases of personal protective equipment like masks and hand sanitizers to be used as deductible medical expenses, to giving taxpayers an additional month to file their returns. Another guideline lets taxpayers exempt up to \$10,200 of unemployment payments for 2020, helping some qualify for additional stimulus payments.

While important to know about, many of [pandemic-specific deductions](#)

are targeted towards people who don't tend to hire financial advisors. "Deducting PPE only applies once you've hit medical expenses of 7.5% of your income," notes Dr. Steven Podnos, a physician and CFP who is a principal of Wealth Care in Merritt Island, Fla. "It's there, but it's not practical." He dismissed it as "hygiene theater."



A worker preparing to package masks at a factory.

STR/AFP/Getty Images

Filing taxes after April 15 is already common practice for many wealthy Americans, who often have their accountants file for an extension as a matter of course. That's in part because they get antsy when brokerage houses aren't getting out their 1099 forms showing non-employer sources of income until the middle of March, according to Podnos. Still the IRS deadline extension to May 17 gives filers an additional month to contribute the maximum amount into their IRAs for the 2020 tax year, one of the biggest tax breaks around for retirement savers.

One pandemic-induced gift from the government to more affluent seniors was mid-year legislation that included a waiver for required minimum distributions from their IRA and workplace retirement accounts in 2020.

The new law stipulated that an IRA owner or beneficiary who'd already gotten an RMD last year could repay it by Aug. 31, 2020, to avoid paying taxes on it. "People who were expecting to live on that money took it, but you were much better off not having to," says Podnos, whose family-run company manages close to \$500 billion in assets for 180 families nationwide. "We got most of our clients to send it back to get credit."

Many of his clients are physicians with medical practices or other businesses, and a substantial number took advantage of the later-forgiven loans offered in the first Paycheck Protection Act in 2020. “We sent out a ton of information to my clients about that—it was a really good thing that helped a lot of businesses keep people on their payroll even if offices were closed,” Podnos says.

His firm subsequently followed up with information offering answers to frequently asked questions about the loans due to the frequent inquiries, he adds.
