Date Payroll Date	Deposit Date		Completed
Sept 26 - 29	Oct 2	Semi-Weekly Payroll Tax Deposits. Employers that are semi-weekly depositors generally must deposit taxes withheld and FICA taxes on payrolls paid on Wednesday, Thursday or Friday on or before the following Wednesday, and deposit taxes from payments on other days on or before the following Friday. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and fourth quarter (third quarter for September payroll deposits due in October).	
30 - Oct 2	7		
Oct 3 - 6	9		
7 - 9	15		
10 - 13	16		
14 - 16	21		
17 - 20	23		
21 - 23	28		
24 - 27	30		
28 - 30	Nov 4		
31 - Nov 3	6		

Date		Completed
1	Michigan Annual Report for Non-Profit Corporations.	
12	Columbus Day Observance.	
13	Michigan sales and use tax deposit for month and quarter ended September 30 to claim early payment discount.	
15	Employers that are monthly depositors must deposit taxes withheld and FICA taxes on payrolls paid during September. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and third quarter.	
15	Corporations with fiscal year ending October 31, January 31, April 30, or June 30: • Deposit estimated federal income tax electronically. Indicate Form 1120 and Federal Tax Deposit.	
15	Corporations with fiscal year ending December 31, March 31, June 30, or September 30: • Pay CIT estimate to State of Michigan.	
16	National Bosses Day.	
17	Sweetest Day.	
20	Michigan Sales, Use and Withholding Taxes Return for the quarter and month ended September 30.	
25	State Employer’s Quarterly Wage/Tax Report (Form UIA-1028). Pay to State of Michigan – Unemployment Agency.	
31	All Hallow’s Eve.	
Nov. 2	Quarterly payroll reports and deposits: • Form 941 – Employer's Quarterly Federal Tax Return – deposit balance due electronically. Indicate Form 941, Balance Due on Return, and third quarter. • Federal Unemployment Compensation tax deposit for third quarter if the cumulative undeposited tax liability exceeds $ 500 – deposit electronically. Indicate Form 940 and 2020.	
Nov. 2	Corporations with fiscal year ending June 30: • File CIT return and pay balance due to State of Michigan.	

SEPTEMBER

SU	M	T	W	TH	F	SA
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

OCTOBER

SU	**M**	**T**	**W**	**TH**	**F**	**SA**
				1	**2**	**3**
4	**5**	**6**	**7**	**8**	**9**	**10**
11	**12**	**13**	**14**	**15**	**16**	**17**
18	**19**	**20**	**21**	**22**	**23**	**24**
25	**26**	**27**	**28**	**29**	**30**	**31**

NOVEMBER

SU	M	T	W	TH	F	SA
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

OCTOBER 2020

INTRAFAMILY PLANNING IN A LOW INTEREST RATE ENVIRONMENT

Interest rates have been at historic lows for some time now and continue to decrease. This scenario creates an attractive opportunity for those interested in assisting family members financially and transferring assets in a tax-efficient manner.

Intrafamily Loans - Individuals who wish to lend money to relatives may do so at interest rates lower than what commercial lenders offer, thus allowing the lendee to save money on interest. There's a minimum rate that can be charged by the lender called the Applicable Federal Rate (AFR). For September 2020, the short-term AFR is 0.14%, the mid-term AFR is 0.35%, and the long-term AFR is 1%. Loans with interest rates below the AFR may be subject to gift tax rules. While it's generally advisable to stay above the AFR to avoid being caught by the gift tax rules, individuals can use the annual and lifetime gift exclusions to maximize the benefit to the lendee.

The loan/gifting strategy also can be used to transfer assets from a parent to a child as part of the estate plan. Instead of gifting the annual gift exclusion amount every year to the child, the parent can issue a loan to the child at the minimum interest rate and then use the annual gift exclusion to gift the interest payments and a portion of the principal. This strategy accelerates the transfer of assets such that the child receives the economic benefit prior to the death of the parent. Assuming the portfolio return on the transferred assets outpaces the interest rate, the assets also appreciate outside of the estate. Further, income from the assets may be taxed at a lower rate on the child's return than on the parent's return.

When taking advantage of the annual exclusion to gradually reduce the outstanding principal of a loan, gift-splitting should be used, if possible. If the parent is married, the parents can apply up to twice the annual gift exclusion (currently $ 15,000) toward the principal and interest of the loan. If the loan is made to the child and the child's spouse, the parents could gift-split to both the child and the child's spouse, thereby applying up to $60,000 (based on the current exclusion) toward the principal and interest of the loan.

It's important to keep in mind the age and health of the parent. If the parent dies, the estate becomes the debt holder. From there, depending on the estate plan and possibly the executor's discretion, the estate may (1) continue to collect loan payments; (2) forgive the loan, which would generally result in taxable income to the child; or (3) apply the remaining principal against the child's share of the inheritance.

Income and Gift Tax Consequences - It's important to remember that regardless of whether they're paid or gifted, the calculated interest payments are taxable to the lender on Schedule B of Form 1040. Likewise, the interest may be deductible by the lendee, subject to the interest-tracing rules. Mortgage interest is deductible on Schedule A and/or Schedule E of Form 1040. Business loan interest is considered a business expense and interest on a nonmortgage personal loan isn't deductible.

Gifted interest and/or principal should be reported on Form 709 if the total gifts from the lender to the lendee exceed the annual exclusion.

Additional Steps to Ensure an Arm's Length Transaction
In addition to adhering to the AFR, the lender should take the following additional steps to establish an arm's length transaction and ensure the loan will not be treated as a gift – (1) Prepare a properly worded contract and have both parties sign. (2) File the requisite paperwork with authorities as needed. For example, mortgages may need to be filed with the county in which the mortgaged house is located. (3) Provide to the lendee a Form 1098 (Mortgage Interest Statement) or other formal document every January that details the interest paid or calculated for the preceding year. (4) Either take concrete steps to collect the loan payments or establish that the payments will be gifted.

When structuring a loan with a family member, it's prudent to work with an estate attorney to confirm and assure proper treatment of the loan and transfer of assets should one party die.