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**GENERAL ITEMS OF INTEREST
PERTAINING TO TAX YEAR 2021**

SECURE ACT – passed into law 12/20/19

- Increases the age at which required minimum distributions must begin to age 72 (from 70.5) This only applies to distributions beginning in 2020, with respect to someone who turns 70.5 after 12/31/19. If you were 70.5 or older at 12/31/19 this change does NOT apply to you.

THE CARES ACT & FAMILIES FIRST CORONAVIRUS RESPONSE ACT – signed into law during 2020

- Paycheck Protection Program Loans (PPP)
 - Low interest loans to small businesses to cover certain expenses
 - Proceeds eligible for forgiveness under certain circumstances
- Forms 1099-MISC and 1099-NEC
 - Form 1099-NEC to be used for reporting nonemployee compensation of \$600 or greater
 - 1099-MISC used for rents and other nonbusiness income
- Charitable Contributions – a maximum \$300 deduction per taxpayer (\$600 if married filing jointly) is available in 2021 for people who do not itemize deductions and have proper documentation to prove the contributed amount
 - Must have donated via cash (with receipt), check or credit card to any qualified charitable organizations
 - Proof of the donation is mandatory (ie: receipt, canceled check and/or acknowledgment from charity)
- Repeal of maximum age for Traditional IRA contributions
 - Beginning in 2020 individuals OF ANY AGE, with enough compensation, can make contributions to a Traditional IRA (prior to this change funding was not allowed after age 70.5)
- Penalty free retirement withdrawals for births and adoptions up to \$5,000 (for each spouse)

THE CONSOLIDATED APPROPRIATIONS ACT – signed into law December 27, 2020

- Second \$600 stimulus (economic impact payment) for qualifying individuals
 - Payments received in January 2021 had to be reported on the 2020 tax return for reconciliation purposes
- Increased unemployment benefits for qualifying individuals
- Enabled a second round of PPP loans for businesses
 - Secured deductibility of expenses paid for with PPP loans
 - Expanded list of eligible expenses for PPP loan proceed use
- Expansion of the Employee Retention credit for employers
- Changes to Families First Coronavirus Response – deadlines extended for repayments of:
 - Employee social security tax deferral (repayment extended to December 31, 2021)
 - Tax exclusion for Employer Student Loan Repayment benefits (extended to 2025)
- Allows for carryover of health care and dependent care flexible spending account balances not used by year end 2020
- A **2021** tax law change for business meal expenses allowing a 100% deduction if provided by a restaurant
- And many, many other appropriations that are beyond the scope of this brief update

THE AMERICAN RESCUE PLAN – signed into law March 11, 2021

- Third round of Economic Impact Payments (EIP3) of up to \$1,400 per eligible individual
- Unemployment benefit increased – ALL 2021 benefits are taxable
- Child tax credits expanded to \$3,600 for a child 6 or younger, and up to \$3,000 for qualifying child age 7 to 17. Credit is fully refundable – is up from \$2,000 previously.
 - Beginning July 1, 2021 advance payments of half the credit were prepaid to filers. These amounts must be reconciled on the return and any overpayments MUST BE PAID BACK TO THE IRS
- Child and dependent care credit were expanded and made refundable. The amount of the credit is increased to a percentage of qualifying expenses up to \$8,000 for one child and \$16,000 for two or more qualifying children
- Forgiveness of student loan debt from 2021 through 2025 is not includible in gross income.

GENERAL ITEMS OF INTEREST PERTAINING TO TAX YEAR 2021 – continued

**** BE AWARE THAT NYS IS NOT FOLLOWING MANY OF THE ABOVE PROVISIONS SO YOUR NYS RETURNS
MAY SHOW MUCH HIGHER TAXABLE INCOME ****

Estate Tax and gift tax thresholds increased to in 2021 to \$11.7 million.

Tax Identity Theft

Tax-related identity theft occurs when someone uses another person's Social Security Number to file a tax return and claim a fraudulent refund. If you have been notified by the IRS that you, your spouse or any dependent's information may have been stolen, you can file a Form 14039 Identity Theft Affidavit to request a special personal identification code to use on your tax returns. The IRS will flag your account and only returns containing that unique PIN number will be accepted.

Charity

ALL deductions of any amount must have a receipt. Unsubstantiated cash donations are NOT allowable. Any single contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date given, amount of any individual contribution over \$250 and must state whether any goods or services were received in return for the contribution. All other donations paid by check or credit card should be listed with the date, charity name, amount and method of payment noted on a list. Please provide the list of your deductions with the appropriate documentation to support the amount being claimed. The ability to donate your RMD (required minimum distribution from an IRA) directly to a charitable organization was made permanent. (As permanent as tax law can be.)

Foreign Accounts

If you have read any news in the last year, you know that the IRS is looking closely for offshore accounts. If you have a bank or investment account, retirement account, or business interest with a value over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund), please let me know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Mortgage Interest

This is a deduction currently drawing a lot of scrutiny from the IRS due to the volume of refinancing that has happened over the last few years. For every return deducting mortgage interest, we **must obtain Form 1098** from you when you pay mortgage interest. Additionally, we must obtain refinancing closing statements for every refinance, and if you received cash from the home mortgage or refinance we must have general information on the use of the money **according to the IRS**. If you have ever refinanced your mortgage and received cash from the loan, this applies to you. Complete information will be necessary to ensure that all IRS requirements are met. REMEMBER, for 2021 interest on an equity loan will generally be nondeductible if it wasn't used to buy, build or improve your residence.

Real Estate Taxes

This deduction is limited to "taxes imposed on interest in real property and levied for the general public welfare". If there are charges for **utilities, water or sewage fees these are not deductible as real estate taxes**. All property tax bills must be provided with your tax data. Refunds or reimbursements you received from your town/school/county property taxes must be reported to me. These refunds are being sent to residents in districts that stayed under the NYS tax cap. All receipts and bills need to be submitted with your tax information.

Rental Property

If you own rental property, please provide ***FOR EACH PROPERTY SEPARATELY***, the physical location, the type of property (single-family, duplex, etc.), and Forms 1099-K received, and a record, by property, of the number of days rented, the number of days used for personal purposes **and the number of hours you spent on this activity in 2021**.

Roth IRA Conversions

You will continue to hear from lots of "experts" this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2022 without coming in to see us for an appointment to discuss both the positives and negatives.

Gifting

The amount you may give to one person in 2022 without any return filing requirements is \$16,000. You can give more than that without incurring tax, but you may have a filing requirement. Fewer Americans need to worry about Federal estate taxes because of changes in the estate tax limit at the Federal level in 2022 to \$12.06 million; however, change may be on the horizon.

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GENERAL ITEMS OF INTEREST PERTAINING TO TAX YEAR 2021 – continued

Tax Planning

I am available between May and December to meet with you for tax planning, hopefully in person rather than Zoom as the virus gets under control. I recommend a conversation if you anticipate any major financial changes during 2022, and even 2023, such as retirement, marriage, student loan repayment, inheritances, etc. There are opportunities for lower taxes in retirement, especially for people owning appreciated employer stock within a company retirement plan. If you are contemplating retirement and this situation applies to you, it is crucial we meet before your retirement date to discuss potential tax saving strategies.

Future Income Tax Rates & Other

I highly recommend that you set an appointment for an after-tax season “Tax Check Up” to examine withholding, tax and estate planning strategies. Due to time constraints from January 1 to April 15, I do not have enough time to address this topic with everyone during the course of tax season, but will be scheduling appointments after May 1 to review the impact of these changes. If you would like to schedule an after tax season appointment, be sure to let me know.

There are literally hundreds of other considerations, extensions and deletions that I will consider this year while preparing your return. Because of these changes, it would be best to provide your tax information to me by at least March 1. Please rest assured that I will utilize my best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support and best wishes for a healthy, happy 2022.

Sincerely,

Beth

Beth Kissinger, CPA

**POTENTIAL TAX SAVINGS OPPORTUNITIES:
If anything is of interest to you on this list, let's discuss it.**

1. Maximizing the pre-tax contribution to your employer's retirement plan
 - a. examples: 401(k), 403(b), deferred comp
 - b. Obtaining a full company match amount
2. Seeking reimbursement from your employer (business) for out of pocket business expenses
3. Investing in tax free municipal bonds
4. Seek qualified dividend paying stocks instead of interest earnings from bank accounts
5. Gifting stocks to charitable organizations or family members
6. Roth IRA conversions timed to utilize your lowest tax rate available
7. Harvesting stock gains and losses for maximized tax savings
8. Donating RMDs directly to a charitable organization instead of out of pocket cash donations
9. Fully funding Health Savings Accounts (HSA) when allowed
10. Fully funding IRA accounts when allowed (traditional for tax deduction, Roth for after tax contributions)
11. Tax ramification of early mortgage pay-off
12. Tax planning for when to pay out of pocket medical costs
13. Paying your child for services provided to your business
14. Borrowing from a 401k plan instead of making a distribution