

Tax Season 2021

Calendar Year-End Filing Deadlines

Partnerships (Form 1065) – March 15, 2021
 S Corporations (Form 1120S) – March 15, 2021
 C Corporations (Form 1120) – April 15, 2021
 Individuals (Form 1040) – April 15, 2021
 Tax Exempt Organizations (Form 990) – May 17, 2021
 6 month extension available for each type of return above
 Trusts and Estates (Form 1041) – April 15, 2021 with extension available to September 30, 2021

Standard Deduction and Exemptions

	<u>2020</u>	<u>2021</u>
Standard Deductions :		
Single	\$12,400	\$12,550
Married Filing Jointly	\$24,800	\$25,100
Married Filing Separately	\$12,400	\$12,400
Head of Household	\$18,650	\$18,800
Additional Deductions:		
Blind or senior citizen who is:		
Married	\$1,300	\$1,350
Single or Head of Household	\$1,650	\$1,700
Personal and Dependent Exemptions	\$0	\$0

Tax Season is Here Again

This will be a challenging tax season in uncertain times with ever-changing laws and IRS guidelines. Due to the current pandemic, we encourage you to mail in, email, or drop off your tax information at our office when you have all of your tax documents gathered rather than meeting in face to face appointments. Provide your current contact information and the tax preparer will then call or email you with any questions while preparing your return. We will still schedule appointments if you prefer or if you have significant changes or issues to discuss with your tax preparer, but for the health and safety of our clients and employees, we would like to limit the visitors and length of visits in our offices. If you are experiencing any symptoms or have recently been in close contact with a confirmed positive case, please postpone your visit to our office.

2021 Deadlines

To ensure that our clients are pleased with the timeliness of their returns, we have created the following priority schedule, subject to change if affected by the Covid-19 virus:

<u>DATE ALL INFO IN</u>	<u>DATE RETURN OUT</u>
Jan. 4 – March 15	Prior to April 15
March 16–March 31	Possible April 15
April 1 and after	Extension

The earlier we receive your complete information, the faster we can process your return. **To avoid processing errors or omissions, please do not schedule your appointment or deliver your documents until you have all of your information together.**

Extensions

Filing an extension only extends the time to **file** a return. It does not extend the time for **payment** of taxes. If you expect to owe taxes, payment is due with the extension. If you will need an extension please contact us by **April 9th** with your federal withholding, estimated taxes paid in, and amount you plan to send with the extension. There will be a \$50 fee for filing an extension. Please provide the remaining information for your return by **September 15th** to enable us to complete your return by the extended deadline of October 15th.

Form 1099's and W-2's

Forms 1099 are required to be issued to any person, company, partnership, LLC or LLP that you pay \$600 or more during the year for rents, services, repairs, prizes and awards, interest paid or mortgage interest received through the course of business. The new 1099-NEC will be used to report payments of nonemployee compensation (contract labor services). Payments to corporations do not require a 1099, except for veterinarians and attorneys. **Deadline to file and furnish to recipient is February 1, 2021.** In order for us to process the Form 1099's & W-2's by the February 1st deadline, we need your information no later than **Wednesday, January 20, 2021.**

Life Events & New Entities

Life events such as marriage, divorce, birth of a child, changes to eligibility to claim a dependent, etc. can significantly impact your taxes. Please inform us of any changes in marital status or dependents when you bring in your tax information.

If you form a new entity such as an LLC or partnership, please inform us as soon as possible so that the appropriate forms can be filed by the respective deadlines.

Fraud and Scam Alert

There are many individuals that attempt to steal your identity by impersonating the IRS. Never answer to phone calls or emails that claim to be the IRS. **The IRS only communicates by mail.**

Never give out personal information to strangers. **The IRS will not call and demand immediate payment.** Please contact our office if in doubt.

E-Filing Status

Once your return is e-filed, you can check its status by logging on to www.irs.gov. Your social security number, filing status and refund amount is required for access. This information is found on page 1 and 2 of Form 1040.

Employment Opportunity

We are currently accepting applications for a CPA with future partner potential to join our team. Tax preparation experience preferred. Duties will include tax preparation, audit and review work, and bookkeeping services. Please submit a resume and contact us for additional information.

Referrals

We appreciate you as a client and sincerely thank you for telling your friends and business associates that you are satisfied with our services. We welcome new clients and the opportunity to serve others.

Social Security Earning Limits

Individuals under full retirement age receiving Social Security income can earn up to \$18,240 for 2020 and \$18,960 for 2021 without losing benefits. For all individuals over full retirement age, there are no limits for earned income. You will receive your full benefits regardless of the amount of your earned income. Full retirement age (also called "normal retirement age") has been 65 for many years. However, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959. Full retirement age is 66 for those born 1943-1954

Required Minimum Distributions (RMD's)

The SECURE Act increased the beginning age for RMD's from 70½ to 72. The CARES Act subsequently gave taxpayers the option not to take an RMD in 2020.

The age restriction for contributing to traditional IRAS was also removed by the SECURE Act if you are still working and receiving earned income.

Depreciation

For 2020, the maximum section 179 deduction increased to \$1,040,000 with phase-out beginning at \$2,590,000. These amounts will be increased for inflation in future years, increasing to a deduction of \$1,050,000 with phase-out beginning at \$2,620,000 in 2021. The additional first-year depreciation allowance, known as Bonus Depreciation of 100% is still available for both new and used assets purchased through 2022.

Tax Credits

The following **Education Credits** are available:

- American Opportunity Credit up to \$2,500 for the first four years of post-secondary education.
- Lifetime Learning Credit up to \$2,000 is available for students who may not qualify for the American Credit.

Form 1098-T is required to claim the education credits

Note: Student may need to login to university online account to obtain 1098-T

Child Tax Credit – \$2,000 for qualifying dependents under age 17. \$500 credit for other qualifying dependents.

Dependent Care Credit is limited to maximum costs of \$3,000 for one qualifying child and \$6,000 for two or more children.

FICA

The rate remains at 6.2% for employees and 12.4% for the self-employed for 2020. The Medicare rate also remains at 1.45% for employees and 2.90% for the self-employed.

The Medicare rates have no ceiling, but the social security tax still has a ceiling. For 2020, the ceiling on social security tax was \$137,700 of compensation, and for 2021, the limit increases to \$142,800.

Estates

No estate taxes due on estates less than \$11,580,000 in 2020 or \$11,700,000 in 2021.

Charitable Contributions

The CARES Act created an "above the line" deduction of up to \$300 for charitable contributions for taxpayers who do not itemize, increased to \$600 for married couples filing a joint return in the new Covid Stimulus Law.

IRS Audit Representation Service

Our Firm is offering IRS representation services in exchange for a prepaid fee. In the event of an IRS audit or IRS correspondence, for a fee of \$60, our Firm will represent you before the IRS for matters regarding your 2020 tax return at no additional cost. This optional fee, if requested, will be added to your bill and is due when the 2020 return is completed.

Education-Related Information

- While contributions to 529 plans and Coverdell Education Savings Accounts (ESAs) are not deductible, the investment grows tax free until it is distributed. Distributions are tax free if the money is applied for qualified post-secondary education expenses in the same year. Tax-free distributions of up to \$10,000 per year are also allowed for grades K to 12 private school tuition. Qualified distributions also now include up to a \$10,000 lifetime withdrawal to pay off student loan principal and interest
- Student loan interest deduction up to \$2,500 available, subject to adjusted gross income limits
- \$250 educator expense deduction still available
- Qualified tuition and fees deduction up to \$4,000 available for qualifying taxpayers

Additional Items of Interest

Social Security Numbers

Taxpayers must obtain a social security number for all dependents in order to claim dependency deductions and child-care credits. Be sure the names and social security numbers shown on your tax return for you and your spouse and dependents are exactly as shown on your social security cards or the IRS will disallow the dependents.

Record Keeping

Tax returns/receipts should be kept for five years. Receipts or purchase information for depreciable items should be kept for as long as you own the property. Documents for the purchase or improvements of your home or land should be kept for as long as the property is owned. Payroll records should be kept indefinitely.

IRS Correspondence

If you do not understand a notice from the IRS, contact our office. We will be happy to discuss the letter with you and advise you with options. The IRS is not always correct in determining the proper treatment of reporting information.

Tax Return Forms and Information

When you receive all the required information to prepare your return, deliver your tax documents to our office or schedule an appointment to discuss your return with the preparer. If you are unsure what to gather, compare your 2020 documents with the information from last year and include all W-2's, 1099's, etc. Inform us if there is an address change, change in your marital status, or a dependent change. The following forms are enclosed: (1) Vehicle Use Record and (2) 1099 Worksheet. Remember that the deadline for filing 1099's is on **February 1, 2021**.

Contribution Limits & Mileage Rates

Retirement Contribution Limits

401(k)	
2020	\$19,500
>Age 50 add'l	\$6,500
2021	\$19,500
>Age 50 add'l	\$6,500

Simple IRA	
2020	\$13,500
>Age 50 add'l	\$3,000
2021	\$13,500
>Age 50 add'l	\$3,000

IRA	
2020	\$6,000
2021	\$6,000
>Age 50 add'l	\$1,000

Gift Tax Exclusions	
2020	\$15,000
2021	\$15,000

Mileage Rates

Standard Mileage	
2020	\$.575/mile
2021	\$.56/mile

Medical Mileage	
2020	\$.17/mile
2021	\$.16/mile

Charitable Mileage	
2020	\$.14/mile
2021	\$.14/mile

Health Savings Account Limitations

2020 Self-Plan	\$3,550
2020 Family-Plan	\$7,100
2021 Self-Plan	\$3,600
2021 Family Plan	\$7,200
*55 or older \$1,000 catch-up	

Payment for our services are payable upon receipt of invoice. Any other arrangements should be discussed before services are performed

Form W-4

Consider reviewing and updating your W-4 to make sure income tax withholdings are accurate and sufficient to cover your taxes. The 2020 Form W-4 has changed significantly from prior years and may need to change based on your life circumstances.

Tax Season Office Hours

January 4 – January 31
Monday – Friday
8 am – 5pm

February 1 – April 15
Monday – Friday
8 am – 5 pm
Saturday
8 am – noon

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