



Kristel's 49 YEARS OF TRUST

2021 New Tax Law Update & Newsletter



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Covid-19 Update.

All of us at Kristel's hope everyone in your family have remained healthy during these times.

We never had to close. We were very fortunate to have been able to serve our clients all year. We had to make some adjustments of course. We're requiring masks for everyone, removed some chairs in the lobby, we added plexiglass everywhere, we sanitize every desk after each client, and have "clean" sanitized pens for you to use.

Most returns were still completed face to face throughout the year, with the plexiglass in between us.

We also added a drop off box next to our entrance door for clients who did not want to come inside. There are large envelopes in the box for you to insert your tax information and a drop slot to put it in. Very convenient.

Clients who cannot or do not want to come in the office are able to send us their tax information by regular mail, scan & e-mail, fax, or drop off. When completed, it can be picked up or we will mail the completed tax return along with the signature pages. We have been doing this for years with client's from around the country, but this year with the virus, we did a lot of returns like this for anyone locally. Everything went very smooth last year.

We have a mail-in packet for this purpose, including a large postage paid return envelope for your tax return information. It contains a short questionnaire for any new information. Please let us know if you would like one. Our complete mail-in packet is on our website, but if you would like one of our large postage paid envelopes, please call us. Whether you are out of state or around here, we want to serve you.

IRS will NOT accept returns from anyone until Late January

However, we can prepare your return anytime so you know exactly what your refund is, and then transmit it to IRS as soon as IRS opens

Regular hours Jan 4th thru Jan 19th
8:00 AM til 5:00 PM (closed 11:30 - 1:00 for lunch)

Starting Jan 20th Monday thru Friday
First appt 9:00AM - Last appt 8:00PM
Saturdays & April 15th

First appt 9:00AM - Last appt 4:00PM
If you need an appointment before 9:00 AM or after 8:00 PM, or Sunday, call and we will try to assist you.

New IRS Refund Policy for returns claiming . . .

"Earned Income Tax Credit" or
"Child Tax Credit" or
"Additional Child Tax Credit", or
"Education Credit" or
"Head of Household Status",

IRS cautions that refunds with these credits or filing status will likely take longer to review, and refunds could be held.

New Loan Product in 2021

"Refund Advance" tax refund-related loans will be available in amounts to be determined by Refund Advantage from \$150 to \$6,000

Beginning Late January

**Get Your Refund
in as little as 7 days**

with Free Electronic Filing

Direct Deposited in a checking, savings, or retirement account (tax preparation fees due at filing)

OR

with No Money needed to file

using a bank product with bank fees

tax preparation fees and bank fees are deducted from your Electronic Refund Check (ERC)

We Love New Client Referrals, Get \$20 or \$40 or more

You get a \$20 Thank You check for your first NEW referral each year, and we will double that to a \$40 Thank You check for each additional NEW referral during that same year. (some restrictions, see our "Refer A Friend" card)

Plus the new client will get a \$20 Discount that first year.

If you don't have any of our "Refer A Friend" cards, simply tell your referral to mention your name and that you referred them, we'll gladly give them a discount and send you our thank you check.

Tax Law Changes for individuals

New for 2020 Contributions Deduction

A \$300 deduction is now allowed per tax return (S, MFJ, or HfH). You do not have to itemize deductions to take this deduction. It's not a lot, but every deduction helps.

New for 2020 Kiddie Tax law change

The law changed again. Prior to 2019, children subject to the Kiddie Tax for unearned income **were** taxed based on their parent's tax rate. Then in 2019 it was taxed based on a separate tax return using estate and trusts rates. **Now for 2020, back to the old method of their parent's rates.**

New for 2020 Required Minimum Distribution (RMD) changes

After 2019, the RMD changed from age 70½ to 72. **However, for 2020, no one needs to take their RMD.**

New for 2020 Birth and Adoptions

Taxpayers, regardless of age are allowed to take up to \$5,000 distribution from their retirement plan without penalty.

New for 2020 Coronavirus Related Distributions up to \$100,000

Taxpayer who had distributions from their retirement plans due to the virus could avoid the penalty regardless of age and can spread out the payment of taxes thru the 2022 tax return. There are specific requirements, be sure to talk to us.

New for 2020 IRA Deduction for Seniors

Prior to 2020, once you reached 70½ you could no longer contribute to your IRA. For 2020, regardless of age, you can now contribute again, as long as you're still working.

ObamaCare is still with us, and if you had insurance thru the Marketplace at any time during the year, we need to know it

You will be receiving a Form 1095-A from the ObamaCare Exchange

We must have this form in order to determine if you are entitled to a credit or have to repay any credit you may have already received.

New for 2020 Self-Employed Independent Contractors

IRS's new form for non-employee compensation is Form 1099-NEC. This new form replaces the Form 1099-MISC you had been receiving.

If you get this form, the person or company who hired you is treating you as being self-employed.

As before, you can deduct necessary expenses you incurred while earning the money shown on Form 1099-NEC.

Additionally, all self-employed taxpayers can now defer paying the social security taxes owed for 2020 until 2021 & 2022.

NEW, all self-employed taxpayers with employees can get a credit for paying wages for Sick & Family Leaves due to the coronavirus.

Tax Law Changes for Individuals with businesses and rentals

▶ 20% Qualified Business Income Deduction (QBID)

Besides individuals who are self-employed, a partner in a partnership, or a shareholder in an S-Corporation, **it now includes individuals who own rental property.**

This is without a doubt the biggest and most beneficial part of the new tax law; however, it is also the most complex.

Without going into the complexity, it generally includes the NET amount of any qualified business and/or rental activity of the taxpayer.

The QBI is a deduction from your taxable income after applying the standard deduction or itemized deduction, it's the best case scenario.

Now for some of the ifs, ands, & buts

Good for anyone whose taxable income is less than \$163,300 or if married filing joint \$326,600. If your taxable income exceeds those amounts there are phase-outs for certain specific service businesses.

Depreciation

Bonus depreciation, immediate expensing, has increased from 50% to 100%, **and now, it also includes used equipment as well as new equipment.**

Section 179 immediate expensing of personal property increased from \$500,000 to \$1,000,000. **Also new, qualified property has been redefined to include improvements to non-residential real property such as roofs and HVAC.**

Business and rental owners were real winners with the new tax law, call us with questions

Tax, Accounting and Payroll Services

Tax Preparation

Individual, Partnerships, LLC's, Corporations, Estates, Trusts, Personal Property, etc.

Payroll Processing

After initial set up, you only have to send us hours worked.

We will then issue checks and/or make direct deposits for your employees.

Delivery is available also.

We will also electronically file all government reports, etc

Accounting/Bookkeeping

Recordkeeping and Financial statements, reconciliations, etc

Call us, office consultations are free

get added peace of mind with

◆ Audit Guard® ◆

IRS has stepped up their auditing, especially their correspondence audits.

IRS audits taxpayers in three ways

"Correspondence Audit" where they request more information be mailed to them

"Office Audit" where they want to see you at the IRS office

"Field Audit" where they want to visit you at your home or business

Our work has been and always will be guaranteed, however, IRS can select any return for audit, even a perfect one.

"Audit Guard®" allows us to legally represent you and handle these audits for you without you ever being present or dealing with them.

Legal Services

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