

Gardner's Tax Service, Inc.
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December 23, 2020

Greetings to All

It is almost that time of year, tax time.

2020 has been a challenging year for everyone and we hope this newsletter finds you and your family in good health. We want to thank our clients for your continued support. We hope we've made everyone feel like a valued client like Richard did for over 35 years.

Call now to get your appointment scheduled with Eileen, Loretta or Monica. We know that Covid-19 is still a concern for so many of us and we are going to try and limit contact as much as possible so we ask that you wear your masks when in our office. We also ask that you remove your tax documents from their envelopes. We appreciate your help in keeping everyone safe so we can stay open and continue to service our clientele.

For those that are more comfortable dropping your papers off and not having a face to face appointment we are accommodating those clients as well. We have a drop box located behind our office that you can leave your documents inside. Please be sure to leave your phone number and email so we can contact you once we have completed your return.

This tax year we will be seeing more clients during the day so we can try and service all our clients. So please be patient with us. We ask that you show up a few minutes before your scheduled appointment so we can get you checked in properly. Our tax preparers will work diligently to make sure you don't have to wait too long.

COVID-19 was such an unexpected turn of events this year and we'd all like to put 2020 behind us. However, there are several tax law changes associated with COVID-19 that may affect you directly. Before we turn the page on 2020, you should understand these changes before you come in to file.

CHARITABLE CONTRIBUTIONS

One Covid -19 related tax change allows above-the-line charitable contribution deduction. If you can't itemize, you can still deduct up to a \$300 cash donation made to a nonprofit organization. **Please bring in your donation receipts for this year.**



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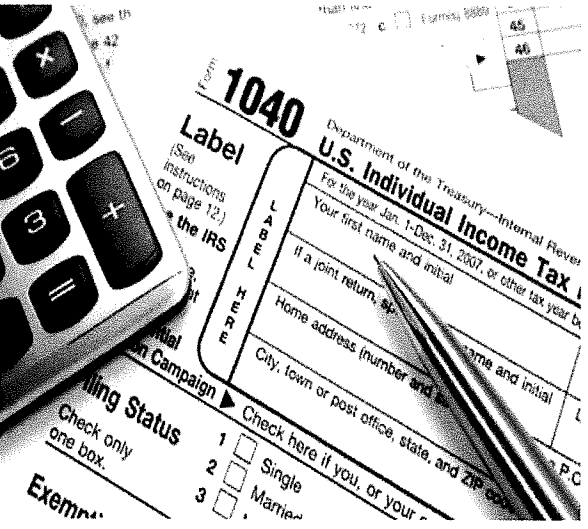
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STIMULUS PAYMENTS



Stimulus payments went to millions of taxpayers this year and you may have had no issues but many people did. If you didn't receive your stimulus payment or did not receive the full amount, you may still be eligible for it when you file your 2020 return. **To make sure nothing gets missed, please bring us the amount of your stimulus payment you received.**

If a deceased individual received a stimulus payment, the IRS has now said they want it back so the best way to handle it is to void the check and file away. The IRS has stated they are cancelling the outstanding checks.

"Income tax has made more liars out of the American people than golf." - Will Rogers

RETIREMENT ACCOUNTS

Before 2019, the IRS didn't allow individuals over 70½ to contribute to their traditional IRA but the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) changed that. You can now contribute to your IRA if you're over 70½, as long as you're working and have taxable compensation.

There are no required minimum distributions (RMD) for tax year 2020, so no distributions are required if you are over 70 ½ years old. This only applies to the 2020 tax year. In 2021 you'll need to take an RMD if required.

In addition, the minimum age for RMDs has been raised from 70 ½ to 72 years old. This only applies to individuals who will be 70 ½ after 2019.

For tax year 2020, if you were affected by the coronavirus, you can withdraw up to \$100,000 from your retirement plan (such as a 401k) or IRA without incurring a 10% premature distribution penalty. The IRS will consider you affected by coronavirus if you meet one of the following criteria:

- You tested positive for Covid-19,
- You had a spouse or dependent who was diagnosed with Covid-19, or
- You experienced adverse financial consequences as a result of being quarantined, furloughed, laid off or had your work hours reduced.

If you did take out a distribution for one of those reasons you can spread the taxes owed over three years. For example, if you pulled \$9,000 out, you could report \$3,000 on your 2020 return and \$3,000 for the next two years. Of course, you can elect to report it all and pay all the taxes on your 2020 return. If you took out a coronavirus-related distribution, the IRS is also allowing up to three years from the time you take it out to pay it back. So if you pulled out the \$9,000 and reported \$3,000 on your 2020 tax return and \$3,000 on your 2021 tax return and then in 2022 you put \$9,000 back into your 401k, you can file an amended return for 2020 and 2021 to claim a refund on the taxes you paid from the distribution.

*"I don't know if I can live on my income or not-
the government won't let me try it"-Bob Thaves*



EMPLOYER CHANGES

Employers and self-employed individuals can defer the employer share of Social Security tax for 2020. The deferment will allow half of deferment to be paid by end of 2021 and the other half by 2022.

There were other provisions that included an expanded benefit for unemployment recipients. Recipients received \$600 each week until the end of July, which was above what the state typically paid. **All recipients will receive a 1099-G for all unemployment benefits, so please bring that in if you received any unemployment.**

For small businesses that received a Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA), those loans can be forgiven if it was used primarily for payroll. For those businesses it is a bit unclear how year-end reporting will go, especially for W-2s. Since the loan is forgiven, businesses can't deduct those expenses on their tax return, so we are waiting to hear reporting requirements for this. This will also apply to any Economic Injury Disaster Loan (EIDL) received. If you received the PPP loan or an EIDL, you need to be thorough with your numbers when you come in to see your tax preparer. **We would recommend you bring in the amounts you received from the loan, a breakdown of what you spent it on and your company's W-2s.**

MILEAGE RATES FOR 2020

Business Rate: 57.5 cents

Medical Rate : 17 cents

Charity Rate : 14 cents

MILEAGE RATES FOR 2019

Business Rate: 58 cents

Medical Rate : 20 cents

Charity Rate : 14 cents

WHAT MEDICAL EXPENSES ARE DEDUCTIBLE?

We get asked this question quite a bit and even though we cannot list everything, here are few items that are when you pay them out of pocket:

- Acupuncture
- Alcoholism-Treatment costs for addiction
- Bandages
- Artificial teeth
- Ambulance
- Braces
- Braille books-only the portion that exceeds the regular printed edition
- Breast pumps
- Chiropractor
- Contact lenses
- Crutches
- Disabled dependent care expenses
- Eye exam
- Eye surgery
- Fertility enhancement
- Guide dog
- Hearing aids
- Insulin
- Lead-based paint removal
- Medical conferences-if the conference concerns the chronic illness of the taxpayer/spouse or dependent
- Oxygen
- Pregnancy test kits
- Psychologist
- Vasectomy
- Wigs-if a patient has lost their hair from a disease

TOP 5 REASONS CLIENTS RECEIVE IRS LETTERS



Department of the Treasury Internal Revenue Service

Receiving letters from the IRS is never fun so we've compiled a list of reasons why most of our clients receive IRS letters so you can be ready.

1. Marketplace insurance

If you have insurance through the marketplace, you need to file your insurance form (1095-A) with your tax return. If you don't, it could slow down your refund and affect applying for health insurance the following year.

2. Stock sales

Even if you sold your stocks for a loss or never took money out you need to report any activity in your brokerage account. This does not include retirement accounts. Stock sales are report-

ed on a 1099-B, and we find most brokerages don't mail you a hard copies but have digital copies online for you.

3. Retirement income

If you pulled money out of your retirement and even asked them to withhold the taxes, you still have to include it on your tax return. That money is reported on a 1099-R. If you've moved or didn't receive it, you'll need to call the clearing house that issued you the money.

4. Wages - earnings

Remember to include all your income even for a job that may have only lasted a couple of weeks. A lot of individuals forget about the small ones.

5. Corporation/partnership/trust late filing

All corporations/partnerships/trusts are due March 15th, one month earlier than your personal return. Don't miss the deadline or the IRS will send you a letter and assess a penalty.

HOW TO PAY YOUR TAXES ONLINE

Visit www.irs.gov

Click on the tab 'Make a Payment'

Look for the 'Pay Your Taxes Now' box

Two options—Bank Account which is direct through the IRS site and there are no additional fee is charged. Debit Card/Credit Card option will send you to a third party vendor and they have a processing fee.

After picking your preference the websites will take you step by step to process your payment. Keep the information for your tax records.

ITEMS TO BRING TO YOUR TAX APPOINTMENT

Dependents' Social Security Numbers & Dates of Birth

Wage Statements –Form W-2

Pension or Retirement Income -1099-R

Interest and Dividend Income – Form 1099-INT/Form 1099-DIV

State Income Tax Refund Amount –Form 1099-G

Social Security Income – Form SSA-1099

Unemployment Income – Form 1099-G

Lottery or Gambling Winnings – From W-2G

Sales of Stocks or Bonds – Form 1099-B

Cancellation of Debt –Form 1099-C

Child Care Expenses & Provider Information

Let your preparer know if you have dependent care benefits through your employer

Student Loan Interest –Form 1098-E

Tuition and Education Fees –Form 1098-T

Estimated Taxes Paid (We need the date it was paid)

If you had Health Insurance through the Marketplace we need the 1095-B

If you purchased merchandise from out of state you are required to pay a use tax to Oklahoma!

ITEMIZED DEDUCTIONS

Medical:

Doctor/Dental \$ _____

Prescriptions \$ _____

Long Term Care \$ _____

Other Medical \$ _____

Medical Miles _____

Mortgage/Taxes:

Real Estate Taxes \$ _____

Other Taxes \$ _____

Home Mortgage \$ _____

Home Equity \$ _____

Contributions:

Church \$ _____

Non Cash donations \$ _____

Other Charity \$ _____

Charity Mileage _____

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WE ARE HERE TO HELP.

If you are ready to make your appointment you can call us at

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Or email us at

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TAX DEADLINES

As of the time of sending out this newsletters the due dates are as follow:

Individual and C-corporations returns are due **April 15, 2021**

You can file an extension which will you give 6 months to file, remember that an extension is just an extension to file not pay.

S-Corporations/Partnership/Trust returns are **due March 15th, 2021**

Penalty for not filing on time or filing an extension on time is **\$200 a month** per shareholder. So don't miss this date.