

IMPORTANT REMINDERS FOR THE UPCOMING TAX SEASON

This past year has been a challenging year for most everyone, but it's been especially challenging for the IRS. There is still a large backlog of returns with many going back to the 2019 tax year. We still have some clients that are waiting on their 2020 tax refunds on returns that were e-filed 7 months ago. A large part of the issue is because of the Economic Impact Payments (EIP / stimulus payments). Many clients weren't sure of the exact amount received and if it doesn't match the IRS records exactly, the returns get pulled and have to wait for a person to review them. As of mid-summer, the IRS had sent out over 9 million notices in regards to this issue. It's nearly impossible to reach an IRS representative on the phone and if you are lucky enough to get through, all they tell you is that the return is still being processed.

It is **EXTREMELY IMPORTANT** that you keep the IRS letter that will be sent to you in the mail in January. It is Letter #6475, to be mailed to EIP recipients in early January. If you do not have the letter you will need to set up an account with the IRS to obtain that information. For those that are eligible to receive the EIP payments, we will not be able to finalize any returns without written proof of the amount received.

For those of you with children ages 0 to 17, the advanced monthly child credit payments the IRS sent out over the last 6 months of the year creates the same problem. The IRS will be sending out Letter #6419 in January, which will detail the payments received. We will need that letter to prepare the returns. The IRS also has a website for the advance child credit payments and you will need to setup an account to get the amounts received if you do not have the letter. The IRS has increased the child credit to \$3,600 for kids ages 0-5 and \$3,000 for ages 6-17, subject to income phase out rules.

Some other items to note:

- The front page \$300 cash charitable deduction has been increased to \$600. This can be claimed without itemizing on Schedule A. Please be prepared to provide a number to us.
- Congress is working on increasing the \$10,000 cap on the SALT deduction (state and local taxes). If it gets passed in time, they are trying to make it retroactive to 2021. If so, many clients will itemize again because the tax deductions may be higher than the standard deduction. If you pay state estimated payments, you could pay them by year end to try to get the deduction in for this current tax year, but there's no guarantee this will pass or be retroactive back to 2021.
- Unemployment is fully taxable this year and the \$10,200 deduction does not apply in 2021.
- We have a new secure texting service that is tied into our landline. We will be utilizing this to get quick questions answered or to ask you to call us. We found this necessary because of all the spam calls everyone receives, no one answers their phone any longer from numbers they don't recognize. This will only be used to obtain tax information from you or to let you know we have questions. It will not be used for marketing of any type. If you prefer not to use this service, let us know when dropping off your tax information. Please provide us with updated cell numbers when dropping off.
- At this point, the plan is to have our doors open for clients to come in and drop off their tax information and go over any questions you may have. You are more than welcome to continue to use our drop box if that is more convenient. We will not be scheduling sit down appointments for this tax year.