



## 2020 TAX UPDATE

### Happy New Year 2021

We had hoped this past year would have been a relatively normal year in terms of tax and financial implications, but largely because of the ongoing pandemic, the exact opposite surprised us. Many businesses shuttered and some remain closed while others lost their jobs and struggle to make ends meet, and more importantly, fight for their health and lives with this virus.

However, some help from various avenues of government and health care have made significant strides to get us back to normal. Vaccines have been fast-tracked, and behavior changes of social distancing and face protection are hopefully keeping us safer. Financial programs like the Individual Recovery Rebate Credits, business benefits including the Payroll Protection Program (PPP), EIDL loans and forgiveness of funding are helping to keep businesses afloat. We hope all these efforts help get us back to normal.

### [CARES \(Coronavirus Aid, Relief, and Economic Security\) Act](#)



The **CARES Act** was passed in early 2020 to provide emergency assistance and health care response for individuals, families, and businesses affected by the corona virus. Among the numerous provisions and points in the bill, the tax related items are shown below.

- Most Americans qualified for an economic stimulus check of \$1,200 for each taxpayer and \$500 for each dependent child, phased out for higher earners. This is not a taxable event, but still will need to be reconciled at time of tax filing. Generally, you will not have to pay back an over-paid amount and if you did not receive your check, you will have the opportunity at tax filing to do so.
- Unemployment benefits were expanded both in length of collection as well as to independent contractors and self-employed. This IS TAXABLE and must be declared on your income tax return.
- Another provision of the Act also allows seniors to skip their RMDs for the 2020 year without penalty. For those under 59 ½ years old, withdrawal from retirement accounts are allowed without penalty for corona virus related payouts up to \$100K.
- The distribution of these IRA payments can be spread over a 3-year period with an election that you can make on the 2020 income tax return (Form 8915-E).
- A new above-the-line provision for Charitable Contributions allows up to a \$300 cash donation deduction for those who do not itemize deductions. For those that do itemize, the deduction for charity is still on Schedule A and limits are expanded further.
- Business relief in the form of payroll protection programs, and low-interest loans were also rolled out and a newer provision of forgiveness was also implemented with no taxable impact!



## [SECURE \(Setting Every Community Up for Retirement Enhancement\) Act](#)

The **SECURE Act** was passed in December 2019 and its purpose was to make it easier to save for retirement. It also makes retirement plans more accessible to more people.

- The age required to withdraw minimum distributions from retirement accounts was increased to 72 (up from 70 ½) for those who turned 70 ½ after 2019. It does not apply to those over the age who have already started taking RMDs.
- The Act also allows contributions to retirement accounts for those over 70 ½.
- Distributions from inherited retirement accounts are now required to be liquidated within 10 years of the owner's death (certain exceptions may apply).
- Part-time employees can now participate in 401(k) plans for those with a minimum of 500 hours per year for 3 consecutive years.
- Withdrawals from 529 plans (education savings accounts) can now be used to pay for student loans.



### **OTHER CHANGES:**

- **Standard Deduction** – the Standard Deduction for everyone increases modestly and the additional amount for those over 65 adds another \$1,650 to the deduction.
- **Income Tax Brackets**– like the Standard Deduction increase, adjustments to the Income Tax Tables have also been made for the cost of living. That means more of your income will tend to stay in the lower brackets.
- **Capital Gains** – there is no change to the Capital Gains rates but again, there is a widening of income to qualify for 15% vs 20% rates.
- **Charitable Donations**- as mentioned in the **CARES Act** while many of you were unable to benefit financially and claim your charitable donations due to the significant increase in the Standard Deduction in the last two years, there is a new “above the line” donation line that allows a small \$300 deduction for cash donations for those who do not Itemize. The 60%-of-AGI-limit of donations is suspended for this year for those that itemize charitable donations.
- **Tax Deadlines**- The tax filing deadlines are shown below.
  - Individuals, Trusts & C-Corporations – Thursday April 15, 2021
  - Partnerships (LLCs) and S-Corporations – Monday March 15, 2021

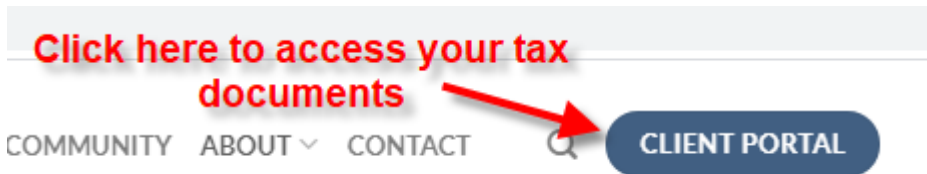
## WEBSITE, PORTAL AND DOCUMENT MANAGEMENT:

**Website News** - As most of you know we are dedicated to curbing **Identity Theft** in every way possible. It is a multi-million dollar fraud perpetrated on our population by unscrupulous individuals. You will find that we continue to stay ahead of the curve on this in every way possible.

Again this year, we continue to monitor our security settings for our website [www.innovative-tax.com](http://www.innovative-tax.com). You will again notice a **padlock** symbol at the beginning of any browser you access it with that gives you assurance that our information as well as yours is secure and safe on the web.



**Portal Update** - In conjunction with the website, we continue to utilize our new portal that is more compatible with our tax software. A portal is like a file cabinet for the client and accountant to upload and download documents to as well as storing information. The access button is right on the front page of the website. SecureFile Pro not only works better with our software but has more features to make uploading and downloading documents easier. This portal will even feature an automatic client copy of the tax return that will be placed in there for your access saving you time looking for tax return copies.



This storage solution will be featured and used more and more in the coming years as the primary secure information exchange utility **for absolutely no charge.**

If you are not a user of the portal, and would like to access it, simply call our office or email us so that we can email you an activation link!



## TAX ROUTINE UPDATES:

**Appointments** – as mentioned in last month's mailer, we are NOT seeing clients face-to-face this year due to the coronavirus. This is a decision we have made to limit exposure for the safety and well-being of our clients and staff. We will STILL KEEP YOUR PRE-BOOKED APPOINTMENT and you should have received an appointment card with the time and date of your appointment. During that time, only your individual income tax return will be prepared and results will be discussed at the conclusion. Please make every effort to keep your appointment as our schedule is very tight and limited.

**Year-end Tax Documents** – since all tax preparation will be remote this year, we need your paperwork as soon as you have it ready. We have several options that can help with that given the current situation. Traditionally, you can still stop by and drop it off with reception. You can use electronic means such as email or portal upload. Still more, UPS and FedEx are also good mail options, and if you feel comfortable, USPS is ok too. Our website contains a tax packet which includes a data organizer, a reminder checklist and other helpful tools to help you get ready.

**Fees** – every year we try to keep your fee fair and consistent while providing the best service possible. To that, we do require payment of your fee BEFORE your tax return is electronically submitted. We accept cash, check and credit card both remotely and in person.

**Forms** – both the annual engagement letter (which gives us permission to work on your tax return) and the electronic filing form(s) (which authorizes us to file your return) must be signed and returned to us BEFORE your tax return is electronically submitted. This year we will be offering an electronic platform to sign off using an e-signature on these forms.

**Extensions** – a \$50 surcharge will apply to any client who requests that we file an extension on their behalf. Extensions MUST BE REQUESTED via e-Mail or phone – we will not file one automatically on your behalf without your authorization. Remember, an extension gives extra time to file the return but any tax that you owe is still due by the deadline and will be subject to penalties and interest if paid late.

If you have any questions, please feel free to call or email us and we will be happy to answer them. Our email addresses are as follows:

**Pete** – [pete@innovative-tax.com](mailto:pete@innovative-tax.com)

**Stacey** – [stacey@innovative-tax.com](mailto:stacey@innovative-tax.com)

**Pam** – [pam@innovative-tax.com](mailto:pam@innovative-tax.com)

As always, we thank you for your business and wish you a healthy and prosperous new year.

## INNOVATIVE TAX & ACCOUNTING GROUP, INC.

