

Tax Tips

Newsletter 2020-2021

From Deanna's Desk

What a year 2020 has been! It was the **longest** tax season of my 42 years of preparing taxes. For the first time ever the tax day deadline was extended to July 15th. When that date passed, we went to work on extensions due October 15th.

In 2020 we reduced staff, prepared taxes by drop off only and even temporarily closed the office. Over the summer we put in practice the CDC's requirements for doing business safely.

By embracing different technologies, we are offering you different ways, that you may choose to have your 2020 income taxes prepared.

- 1) Secured Portal – On our website we have a secured portal. You may upload your documents. They will be downloaded and assigned to your requested tax preparer.
- 2) You may drop your information in our drop box located at our side door.
- 3) You may mail (snail mail) them to us.
- 4) You may email them using encrypted email to secure the privacy of your information.

With each of the above situations you may request a tax preparer and also request an appointment via telephone call, face time or a zoom meeting. You may also request a face to face meeting.

In each case you will receive a call from us letting you know that we have received your information and that it is being assigned to a tax preparer. After the tax preparer has had a chance to input the information, he/she will call you to discuss the results with you.

We have configured our offices, main lobby and reception area to allow for physical distancing. The **GOAL** is to keep the client (**YOU**) and **our staff SAFE**.

Because of the constantly changing COVID-19 situation, please call us in **January** to make an appointment.

Have a Merry Christmas!!

Deanna

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January Business Hours

Monday – Friday 9am to 5pm

February – April Business Hours

Monday – Thursday 9am to 7pm

Fridays & Saturdays 9am to 5pm

We are available to help you with all of your tax questions all year long

GENERAL PLANNING SERVICES

- 1) Income changes because of a job change jobs, starting a business, selling real estate or the unexpected.
- 2) Life changing events – marriage – divorce-death of a spouse.
- 3) How tax laws affect children at different ages.
- 4) How tax laws effect every area of your life.

RETIREMENT PLANNING

- 1) Different ways to plan for retirement.
- 2) Tax planning for year of retirement.
- 3) Tax planning for the first full year of retirement.
- 4) Tax planning your disbursements from tax deferred money.

These are just some of the value added services we provide to you .

Tax Changes for 2020

Medical deduction threshold decreased from 10% to 7.5 %.

Qualified principal residence indebtedness that is forgiven may be excluded from income.

Mortgage insurance Premium (PMI) is deductible.

Tuition and Fees deduction has returned. Your preparer will evaluate your situation to see if this option is more beneficial for you than using the American Opportunity Credit or the Life Learning Credit .

Leftover money in a 529 education plan can be used to pay off up to \$10,000 of student loan debt.

When you give a **cash** donation to a charity in 2020 **you can deduct up to \$300** while taking the Standard deduction.

The SECURE ACT of 2019

One of the main goals of the SECURE ACT of 2019 is to ease the access to retirement savings.

Here are 6 key items to take away from the Act:

- 1) Required Minimum Distributions (RMDs) are waived for 2020.
- 2) The Qualified Charitable Distribution (QCD) from an IRA is still available.
- 3) RMD age increased . If your turn 70 1/2 in 2020 or later, you will not be required to take an RMD **until reaching age 72.**
- 4) Early distribution penalty waived. The 10% early distribution penalty is waived (\$100,000 limit) of retirement withdrawals for Coronavirus related reasons. New rules allow the tax liabilities on these deductions to be paid over a three-year period.
- 5) Maximum age for contributions to a traditional IRA has been repealed. Taxpayers who are receiving earned income can contribute to an **IRA regardless of their age.**
- 6) Penalty free withdrawals from an IRA for individuals with a newborn or adopted child. This means you can withdraw money without a penalty from an IRA to use for the cost of childbirth or an adoption. Limited to \$5,000, single and \$10,000 MFJ. The distribution is still taxable income, but there is no penalty for withdrawing before age 59 1/2.

NEW 1099 FORM FOR BUSINESSES

1099 NEC-- Non-Employee Compensation

This form replaces Box 7 on the Form 1099-MISC. Use this form when you pay a person \$600 or more for compensation for work performed. The deadline for submitting Form 1099-NEC is January 31, 2021.

Form 1099-MISC is not going away.

The Form 1099-MISC is used for income derived from rents, royalties, fishing boat proceeds, health care payments, payments in lieu of dividends or interest, crop insurance proceeds or gross proceeds paid to an attorney. The deadline for submitting Form 1099-MISC is February 28.

| Daycare Meals | 7/1/19-6/30/20 | 7/1/20-6/30/21 |
|---------------|----------------|----------------|
| Breakfast | 1.33 | 1.39 |
| Lunch/Dinner | 2.49 | 2.61 |
| Snack | .74 | .78 |

Office in Home

In 2017 tax law changed who is eligible for this deduction.

Currently you can only use the office in Home deduction if the following applies

- 1) You are self employed.
- 2) Your home is used in connection with a trade or business.
- 3) This space is exclusively used to conduct your business (no one else uses this space).
- 4) Your home is your principal place of business.
- 5) You meet clients or customers in your home.

High-Low Per Diem Rates

Effective 10/1/20 - 9/30/21

| Location | Lodging | Meals | Total |
|-----------|----------|---------|----------|
| High-Cost | \$221.00 | \$71.00 | \$292.00 |
| All other | \$138.00 | \$60.00 | \$198.00 |

Mileage Reimbursement rates 2020

| | 2020 |
|------------------|-------|
| Business | 57.5¢ |
| Medical & Moving | 17¢ |
| Charitable | 14¢ |

2021 Reimbursement rates are released in December. Look on our website or Facebook page for updates.