

SHULTS ACCOUNTING

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December 2020

While we all get ready to say goodbye (and good riddance!) to 2020, there are some things to be aware of in preparation for 2021 and filing taxes for 2020. One of the big changes that will affect many of you is the extra time we've been given before we have to take a Required Minimum Distribution (RMD) from our IRA accounts. Previously, you were required to begin distributions in the year you turned 70 ½. For 2020, the requirement was removed entirely for everyone. For 2021, if you previously were required to take the distribution, or turned 70 ½ in 2020, you will have to begin the distributions again. However, for everyone else, the magic age has been changed to 72 – giving you an extra year and a half before you must take distributions.

If you needed to take a distribution from your IRA during 2020 due to COVID, you can spread that distribution over a 3-year period to lessen the impact of the tax. Also, if you return the funds within 3 years, you also can receive a refund on any taxes paid during this period by amending your returns. Please let us know in your package if this applies to you.

Another IRA-related issue that was changed is that previously, even if you were still working, you were not allowed to contribute to a Traditional IRA once you attained age 70 ½. The Secure Act changed this to remove the age-based restriction, meaning that as long as you are still working, you can contribute.

The last IRA-related issue we'd like to mention is that the Secure Act eliminated the rules that allowed non-spouse IRA beneficiaries to "stretch" distributions over their lifetime. In other words, if you named your child as your beneficiary on your IRA, at your death, your child could spread out the income over the rest of their lives. The rule is now changed to require them to take the total in the account within 10 years, unless the beneficiary is a minor.

One thing that has not changed is that the IRS is getting very serious about virtual currency. Our tax Engagement Letter, which everyone signs before we release the tax returns, stipulates that you will tell us if you are involved with virtual currency. By default, we will presume that unless you tell us otherwise, you do not engage in virtual currency transactions nor hold virtual currency in the year for which we are preparing the tax return. This is extremely important. We recently learned that VISA is going to offer a card with rewards in Bitcoin next year; Paypal and Square are also getting involved. So please be aware that this issue may affect you in ways you did not anticipate.

Something new this year is a deduction for up to \$300 of cash contributions, even if you do not itemize. Previously, unless you filed using Itemized Deductions, you were not allowed any deduction for contributions. For this year only (as of now!), you will be allowed to deduct up to \$300 of any actual contribution you made, even if you file utilizing a Standard Deduction. Donations of goods does not qualify – only cash (check, credit card, etc).

Most of you probably received your stimulus checks during 2020; now we have to reconcile these payments. They are not taxable, but we will need to know how much you received in order to complete your tax return. We have to show that either you received the proper amount, were underpaid, or overpaid. If you were underpaid, you will get the additional credit on your 2020 Tax Return. At this time, if you were OVER paid, you will NOT have to refund the excess. The exception to this is if you received a payment on behalf of someone who was no longer alive at the time the checks were paid; then you will have to return it. The IRS has said they will be sending out notices of the amounts paid in the new year, so please be sure to include this with your other papers to us.

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Something else to watch for: if you received a refund on your 2019 tax return, chances are you also received an interest payment from the IRS. They will send you a 1099-INT form in January for this payment as it is taxable. Please be sure to include it in the package to us.

While we're on the topic of what to give us – some often-forgotten figures to be sure you have included in your packages to us include:

- Final Pay Stub that you RECEIVED in December

- Basis (cost or other) of any stocks sold during the year if not included on the brokerage statement

- Out of pocket medical/dental/vision costs paid during the year

- If you have a business, all pertinent expenses and income

- If you have a rental property, all rents collected and pertinent expenses; hours from activity log

For businesses (including self-employed):

- Remember that 1099 information is due to us by 1/15

- Business vehicle miles traveled AND total miles for the year stated separately (from log)

- Minimum wage is raised to \$12 per hour effective 1/1/21, except for seasonal and small employers (6 or fewer employees, which is raised to \$11.10 per hour)

You'll note that two of the above items refer to log books. We do not need the books; we only need the data FROM them. If you need more information as to how to keep an appropriate log either for your rental property or for your business miles, please contact us. If you happen to be selected for audit, the first thing an auditor typically asks for is the log book.

While our office is not yet open for face-to-face meetings, we are available through phone, email, or fax. Do not hesitate to contact us if you have any questions regarding the issues discussed in this newsletter or other tax matters! Please plan on either dropping your tax papers off in our drop box, mailing them to us, or remove all reference to social security numbers and email them to us (or send securely).

Fun matters!

You all have our best wishes for Happy Holidays and we send you these photos to enjoy as we always do!

