



End Of Year Email Blast!

Important Items That You Need To Know!!!

What a crazy year 2020 has been. We hope that you and your family have stayed safe and healthy!

Tax Preparation Changes For 2020

As 2021 starts and 2020 comes to an end it is time to start thinking about your taxes.

Amid the COVID pandemic, May Jackson Hendrick, LLC has made changes in how we are preparing tax returns for the 2020 tax filing season. Our primary goal is to keep our clients and staff as safe as possible until this pandemic subsides. We will be charging a \$100 COVID fee to all clients that wish to meet with their CPA in person. To avoid this fee, you may choose a "contact free option" in which you drop off, email or upload your tax documents to our firm for tax preparation. Furthermore, you can schedule an appointment to review your tax return with your CPA via a conference call, these appointments are available beginning February 1, 2021. The CPAs, as always, will be available via email or telephone to answer questions or concerns you may have in getting your tax documents together for the tax filing season.

Tax Organizer Requests

Please call or send a request through our website (<<<https://www.mjhcpas.com/organizer-request.html>>>) if you would like a copy of a "Tax Organizer" to assist you with gathering your tax documents. We encourage you to print out and complete the questionnaire on the resources section of our website called "Changes for 2020" as information obtained from it could result in deductions or credits to your tax return.

2020 Tax Highlights

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The COVID pandemic has allowed for many changes in the current tax laws. Below is a recap of what we felt were some significant changes you might want to be aware of:

The year 2020 has brought many challenges and tax changes. In late 2019, a law was passed which included many of the long-anticipated "tax extenders" and significant changes to retirement accounts. Due to the pandemic, many other tax provisions were implemented through the CARES Act and FFCRA in an effort to help lessen the financial impact felt by individuals and businesses. This letter provides an update on some changes that might affect you and other things to be aware of.

Tax Extenders. Several provisions that allowed for deductions and credits expired at the end of 2017. Many of the provisions have been extended for 2020 and also made retroactive for 2018 and 2019. Some of the more popular provisions include the above-the-line deduction for

tuition and fees, the deduction for mortgage insurance premiums, and the Residential Energy Credit.

Kiddie Tax. The TCJA applied trust and estate tax rates to a child's unearned income above certain levels. This change was repealed for 2020 and beyond. The Kiddie Tax reverts to the old rules where a child's income is taxed at the parent's marginal rate. For 2018 and 2019, a choice exists for using the trust and estate tax rates or the parent's marginal rate.

SECURE Act. Two of the more notable changes in the SECURE Act include the repeal of the maximum age for making contributions to an IRA and increasing the beginning age for mandatory distributions from an IRA.

Starting in 2020, you can make deductible contributions to an IRA at any age provided all requirements are met. For distributions required to be made after December 31, 2019, if you reach the age of 70½ after this date, the required beginning age is increased from 70½ to 72.

Note: The CARES act waived all RMDs for 2020. The SECURE act also reduced the floor for deducting medical expenses to 7.5% of AGI for 2020 and 2021.

CARES Act. The CARES Act provides for direct payments (economic impact payments) based on your filing status and AGI. Payments are \$1,200 for individuals, \$2,400 for married couples, and \$500 for each qualifying child. The payments phase out for AGIs above certain limits. The payments are based on filing status and income from either 2019 or 2018 tax returns. The economic impact payment is considered an advance credit against 2020 tax. The payment will not reduce your refund or increase any amount owed on your 2020 return. If you received an economic impact payment, the payment will be reconciled on your 2020 tax return. You will receive an additional credit on your return if your filing status and income level in 2020 qualifies you for a larger payment. If your filing status and income level in 2020 would reduce your payment, you do not have to repay any amount received.

The CARES Act also allows you to deduct up to \$300 in charitable contributions even if you take the standard deduction.

Things To Do In 2021 That Can Affect 2020 Taxes. There is very little that you can do to impact your 2020 taxes after December 31, 2020. However, two things that can be done, if you qualify, is making a contribution to your traditional IRA and/or your health savings account (HSA).

IRA Deduction. For 2020, you may be able to contribute up to \$6,000 (\$7,000 if you are at least 50 years old) to an IRA. Contributions for 2020 can be made up until April 15, 2021. If the contribution is made to a traditional IRA, you may qualify for a deduction on your 2020 return. For 2020, there is no age limit on making a contribution to traditional IRA or Roth IRA. In addition, contributions to any type of IRA (traditional or ROTH), might qualify you for the Retirement Savings Contribution Credit.

HSA Deduction. Similar to the IRA, you can make 2020 contributions to your HSA up until April 15, 2021. The total amount that can be contributed by you and your employer ranges from \$3,550 to \$9,200 based on whether you have self-only or family HSA qualifying coverage and your age.

Unreported Income. If you are making extra money by doing side jobs, be it driving for a ridesharing company such as Uber or Lyft, selling crafts on Etsy, delivering meals with Grubhub or DoorDash, renting out a room in your house via Airbnb, or any other way, it needs to be included on your tax return. Unless specifically excluded under the Internal Revenue Code, all income is taxable. This includes income that is not reported to you on one of the various Forms

1099, foreign income, and barter income.

Federal and State Differences. When it comes to taxes, most of what you read and hear from the media has to do with federal tax law. Remember that each state has its own tax law and just because something is not allowed for federal taxes (or you do not qualify) does not mean that you are not able to include it on your state tax return.

Referrals

Our best new clients come from referrals; thank you for your continued support.

Sincerely,

[US: Preparer name]

[US: Firm Name]

[US: Preparer email address]

303-841-4220

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