

PRECISION TAX & ACCOUNTING SERVICES INC.

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Dear Clients:

Once again, the New Year is fast approaching as well as another tax season and hopefully the end of COVID. I know we are all looking forward to the end of this year.....2020 has a few minor tax changes which include a little bit of a higher standard deduction. **I will list later in this letter, special items to be considered for the preparation of 2020 returns.** Please also remember, especially my New York State Residents, that New York has **not** conformed to the new tax laws and will still be allowing the Itemized Deductions as they have in the past. **So** even if you don't qualify to itemize on the Federal Return, you may still qualify to itemize on New York State as well as some other states that did not conform as well. So please keep track of your expenses as you have in the past. If you are not in New York, you can email me and ask me separately what might be needed for your state.

Unfortunately, based on the conditions of the world today, I will not be allowing face to face appointments. I feel a strong need to protect my family and staff as best possible. I have created a safe portal through a company called Smart Vault. When you contact me, I will send you an invitation to upload your information to that portal. Here I can retrieve it and upon completion of the return, you will be able to retrieve your completed copy as well. Other ways to get me your tax information will be through all the postal services available. You can also call and make an appointment to drop off during office hours. If you prefer to wait, I can prepare the return while you wait in your car and we can telephone.

In the meantime, it is very important to prepare for the upcoming tax filing so as to maximize all possible deductions which will allow for increased tax refunds. Some tax savings can still be accomplished this year by **contributing** the maximum to 401K, 403B and IRA accounts, **off-setting** any capital gains with capital losses, **contributing** to 529 plans for college savings in certain states by December 31 (make sure that the plan you pick is deductible in the state that you live), giving extra to charity, contributing the maximum to HSA accounts and paying off medical expenses for any possible medical deduction.

Please also remember deadline filing dates are as follows:

<b>"S" Corporate Tax Deadline</b>	<b>March 15, 2021</b>
<b>"C" Corporate Tax Deadline</b>	<b>April 15, 2021</b>
<b>Personal Income Tax Deadline</b>	<b>April 15, 2021</b>
<b>Partnership Tax Deadline (LLC's)</b>	<b>March 15, 2021</b>
<b>1099 and W-2 submissions</b>	<b>January 31, 2021</b>

**(No Extensions allowed for filing of W-2's and 1099's)**

If you cannot file by these dates, please notify us so that a proper extension can be filed. If there is a balance due on any return, it must be paid at the time of the extension to avoid incurring possible penalties and interest. There is no extension of time to pay only an extension for time to file a proper return.

Electronic filing is mandatory and the preferred method of filing because it achieves many benefits. Direct Deposit of refunds is also preferential because it stops stealing of refunds from mailboxes, etc. **So please verify your routing number and account number when preparing the returns, both personal and business.** (Deposit slips and bank cards do not have the proper information on them). We can use the bank information for withdrawals and payments as well.

Also, for **New York State and a few other states**, we must have your Driver's license or state identification information for all titled taxpayers on the return if they have a Driver's license or Non-Driver's license photo ID. Unfortunately, the information will not carry through from last year and we will need to know current information for those of you who's license has expired or changed from the prior year. This is one more way to try prevent fraud.

The following items must be obtained before your returns can be completed:

.All W-2's (final pay stubs will only be used for estimation purposes only)

.1099's, 1098's, (mortgage interest statements, college tuition statements) etc.

.Social security numbers and dates of birth for all dependents. Without a social security number there will be NO deduction and certain credits will be limited as well.

.For **dependent and child care deductions**, the social security or employer identification number and address for the person, school or business doing the caring. It is very important to have ALL information pertinent to allow the credit. You should be able to obtain this information at your child's facility.

.Stock Transactions: **Year End Reports (1099's) provided by brokerage companies.** If you have a managed brokerage account, please have your realized gain/loss reports available as well. The brokerage houses have been mailing the statements **later** and also have been issuing many corrections to the original reports. I don't expect this year to be different.

.All **CLOSING STATEMENTS** for purchases of real estate, sales of real estate, home equity loans or refinances.

.If you take a **home office deduction**, please have available the total square footage of your home and the total square footage of the area used exclusively for your business. Please also have available the total of all utility bills (including water), repairs and maintenance, landscaping, home improvements, etc. as some of these expenses will be proportionately deductible against your income.

.If you take any **mileage deductions for work or business**, please have available the total mileage on the vehicle(s) for the year, amount which is commuting, that which is personal and the amount which is business. IRS wants to see the whole picture.

## **IMPORTANT ITEMS ESPECIALLY FOR 2020:**

### **Individual concerns:**

1. Unemployment statements – So many have been on unemployment this year. A few years ago, New York did not mail the statements out to the recipients, instead you had to sign in and print the statement. This statement is not only needed for the amount received but any possible withholdings and the address and EIN of the state. So please if you have been on Unemployment, make sure to include this statement.

2. Stimulus payments - When we file the federal return. IRS will be asking what you received as a stimulus during 2020. We have to report the correct amount received. If you did not receive the proper amount based on **2020 income**, you will receive a credit on the return for the additional amount. If you received too much you will not have to pay it back with a few exceptions (Double payments and death of a taxpayer to name a few. But it is still unclear how they will enforce it.) Either way, we have to report it accurately or the return may be rejected for electronic filing. I can only assume at this point that IRS may send out a mailing to everyone that received the stimulus but who knows.
3. New York State will be requiring accurate license information so I will need a picture of your licenses (front and back).
  - a. Distributions from Pension Plans, 401 K's, etc. As we probably know by now, IRS allowed distributions from these plans of up to \$100,000 for all those affected by the Pandemic financially. It does become taxable income but there was no penalty for the withdrawal if you were an affected party. If you did withdraw this money, we of course need the 1099 but we also need to know if you want to pay the federal tax in one shot or spread it out over 3 years. New York State you have to pay all in 2020.
4. Schedule C Filers who received Payroll Protection Loans:
  - a. I will need the amount received;
  - b. Forgiveness amount if applied for; and
  - c. Amount that you expect to be forgiven whether in 2020 or 2021.

**BUSINESS FILERS:** We are very proud of the work we did last tax season and into the spring helping clients with all these and we have a healthy list of who received what but we are also aware that some of the private businesses received these funds on their own. So, while preparing the returns, we will need the following information:

1. Payroll Protection Loans:
  - a. I will need the amount received and the date received the funds;
  - b. Forgiveness amount if applied for; and/or the
  - c. Amount that you expect to be forgiven whether in 2020 or 2021.
2. Economic disaster loans:
  - a. If you received any Grant money and how much; and
  - b. Loan amount and date received.
3. Local Covid Programs -If you received any local loans or grants, please also give us that information so we can research any tax implications.

Please see the attached list of items needed to prepare your returns. They do not all apply to every taxpayer but it is a good organizational tool.

Thank you.

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