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We here at Shelly Tax & Accounting hope everyone had a very Merry Christmas.

In case you missed our earlier announcement this year we have changed our name to Eastern Iowa Tax & Accounting, LLC! No other changes just our name.

Our New Website is **EIATAX.COM**. We will have many new updates throughout the year, so please visit and see all that we will be offering.

Once again, we are offering a few options to get your tax return prepared.

We are encouraging our clients to Drop off or submit tax documents by downloading via our secure website, however we will still accept in person appointments.

1. Dropping off your tax information to either our Dewitt or Goose Lake offices.
2. Go to our website, clicking on the link and emailing your tax documents to us on our secure email format.
3. Call to schedule an in person appointment.

There are some changes for 2021 tax filers. Listed below are a few changes.

1. **Personal exemptions** are eliminated for tax years 2018 through 2025.
2. **The standard deduction** for married couples filing a joint return in 2021 is \$25,100. For singles and married individuals filing separately, it is \$12,550, and for heads of household, the deduction is \$18,800.
3. The additional standard deduction for blind people and senior citizens in 2021 is \$1,350 for married individuals and \$1,700 for singles and heads of household.
4. In 2021 there is an exemption of \$11.70 million per individual for estate, gift, and generation-skipping taxes, with a top tax rate of 40 percent. The annual exclusion for gifts is \$15,000.
5. **A Flexible Spending Account (FSA)** is limited to \$2,750 per year in 2021
6. **HSA** - For 2021, individuals can contribute a **maximum of \$3,600**, up from \$3,550 in 2020. You can contribute up to \$7,200 for family coverage, an increase of \$100 from the previous year. The total HSA contributions from you and your employer cannot exceed the specified limits
7. **Earned Income Tax Credit (EITC)** – For tax year 2021, the maximum earned income tax credit (EITC) for low and moderate-income workers and working families increased to \$6,728 (up from \$6,660 in 2020). The maximum income limit for the EITC increased to \$57,414 (up from \$56,844 in 2020) for married filing jointly. The credit varies by family size, filing status, and other factors, with the maximum credit going to joint filers with three or more qualifying children.
8. **Coverdell Education Savings Account** - You can contribute up to \$2,000 a year to Coverdell savings accounts in 2021. These accounts can be used to offset the cost of elementary and secondary education, as well as post-secondary education.

9. **Student Loan Interest** - In 2021, you can deduct up to \$2,500 in student-loan interest as long as your modified adjusted gross income is less than \$70,000 (single) or \$140,000 (married filing jointly).
10. **Contribution Limits** - For 2021, the elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is \$19,500 (no change from 2020). For persons age 50 or older in 2021, the limit is \$26,000 (\$6,500 catch-up contribution).
11. **Charitable contributions** - Ordinarily, if you choose to claim the federal standard deduction, you cannot deduct your charitable contributions. Good news though, if you don't itemize deductions for 2021, you may deduct up to \$300 (\$600 if MFJ) on your 2021 tax return for cash contributions made to most charitable organizations. If it's better for you to itemize deductions, you can elect to apply a 100%-of-AGI deduction limit for cash contributions made to most charitable organizations during 2021. Without this election, the usual percentage limit applies (normally 60%), and the nondeductible amount carries over up to five years. We can discuss which AGI limit is best for you based on your specific facts and circumstance. Remember to obtain an acknowledgment letter from the charity before filing your return and retain a canceled check or credit card receipt for contributions of cash.
12. **Retirement Savings Contributions Credit (Saver's Credit)** - In 2021, the adjusted gross income limit for the saver's credit for low and moderate-income workers is \$66,000 for married couples filing jointly, \$49,500 for heads of household, and \$33,000 for married individuals filing separately and for singles.
13. **Required minimum distributions** - If you turn 70½ after 2019, you must begin taking RMDs from your traditional IRA by April 1 of the year following the year you reach age 72. For example, if you turned 72 in September 2021, you can either take your 2021 RMD in 2021 or you can wait until April 1, 2022. However, you must take your 2022 RMD by Dec. 31, 2022, which means you'll have two RMDs to report on your 2022 return if you wait. If you fail to take your RMD, you're subject to a 50% excise tax on the amount not distributed. Don't panic though. You can ask the IRS to waive the tax due to reasonable error if you take steps to remedy the shortfall. Contact our office and we'll explain what needs to be done and prepare the necessary paperwork.
14. **Child and dependent care credit** - For 2021 only, the child and dependent care credit increased significantly and is fully refundable even if you have no tax liability, so don't forget to keep track of your work-related child care expenses. The dollar limit for eligible expenses is \$8,000 for one child and \$16,000 for two or more qualifying children. If your income is \$125,000 or less, you get the maximum 50% credit rate. Otherwise, if your income is more than \$125,000, the 50% rate decreases as your income rises. The credit becomes unavailable when your income exceeds \$438,000.
15. **Child tax credit** - For 2021 only, the child tax credit (CTC) increased from \$2,000 to \$3,000 for each child under age 18, or \$3,600 for each child under age 6. Unfortunately, the extra amount (\$1,000 or \$1,600, respectively) is reduced when income exceeds \$150,000 for married taxpayers filing a joint return (MFJ) and qualifying widow(er)s (QW), \$112,500 for heads of household (HOH) and \$75,000 for single taxpayers. You also probably noticed that advance CTC payments were made monthly from July through December 2021. These payments were estimates of your 2021 CTC, generally based on your 2020 tax return. If you received advance payments in excess of the CTC allowed on your 2021 return due to a change in circumstances, you may have to repay some or all of the excess amount. In January 2022, the IRS will send **Letter 6419**, which provides the total amount of advance CTC payments that were disbursed to you during 2021. Keep this letter to give to us when we prepare your 2021 tax return. **YOU MUST HAVE THIS LETTER TO FILE YOUR 2021 TAX RETURN IF APPLICABLE.**

16. **Education tax benefits** - For 2021, the tuition and fees deduction is gone, but you might benefit from the lifetime learning credit if your income is below \$90,000 (\$180,000 if MFJ), which matches the income limitations for the American opportunity tax credit. Furthermore, COVID-19 emergency financial aid grants under the CARES Act are excluded from gross income, but qualified education expenses paid with these tax-free grants can still be used to claim an education credit. Bring in your tuition statements at tax time so we can claim the maximum credit using all eligible expenses. There's also a special rule for student loans discharged in 2021 through 2025. For certain types of loans, you can exclude the debt discharge from gross income. We can determine if your student loan qualifies for this exclusion when your tax return is prepared.
17. **Power of Attorney** - Copy of Power of Attorney is required for tax office to have the right to communicate with anyone other than the taxpayer.
18. **Premium tax credit** - In general, if you purchase health insurance through the Marketplace, you don't qualify for any premium assistance when your income is too high. However, for 2021 and 2022, if your household income is more than 400% of the federal poverty line (FPL), you may be eligible to claim the premium tax credit (PTC) and will not pay more than 8.5% of your income for coverage.
19. **Stimulus Payment** - You will need to provide the **Amount and Date Received for your 3rd Stimulus Payment** you received to report on your 2021 Tax Return. This is NOT taxable income, but is required reporting information.
20. Standard mileage rates – 2021 Business is 57.5 cents per mile, Medical is 18 cents per mile, and Charity is .14 cents per mile.
 - ** If you have a college student, you need paperwork showing the amount of tuition and related expenses paid not just billed by the college.
 - ** Although there is no penalty for not having health care insurance, if you have the Marketplace Insurance you will still be required to have a 1095-A form at time of filing.
 - ** If you have any new dependents in 2021, we will need **copies of their Social Security Card & Birth Certificate**.

We open Monday through Saturday beginning Monday, January 10th. Please call to make your appointment early or drop off your paperwork anytime. Our office numbers are at the top of this page.

We will continue offering our \$10 client rebate for referral(s) Eastern Iowa Tax & Accounting to a person or business who didn't have us prepare any previous year(s) tax return. The person you refer will receive a \$10 discount on their tax preparation fee, and you will receive a \$10 referral check in the mail. Thank you for referring a friend or business to Eastern Iowa Tax & Accounting.

Thank you for your past business, and we look forward to serving you again this tax season.

Eastern Iowa Tax & Accounting, LLC

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