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Dear Clients and Friends,

This year our newsletter is designed to give you the guidance for the information we need to prepare your 2020 individual income tax return. We will once again ask you to sign the annual tax return engagement letter. Additionally, we do expect mail-ins, drop-offs and virtual appointments may be necessary again.

### **Stimulus Check**

Most of you received a “Stimulus Check” this year during the summer. In many instances the check will be less than what you were owed and we can only determine any additional amount if you let us know the amount received. The IRS informed you of that amount with Notice 1444 which, if you received it, we need to reconcile. If you did not receive or keep the form, no problem, please just fill in the appropriate lines on the attached statement.

### **Deductions**

We still need to accumulate the information on your 1) medical, 2) state income and property tax, 3) mortgage interest, 4) charity and other deductions in order to apply the latest rules, and to complete your state tax returns.

***Additionally, there is a new deduction for charity amounts that does not require you to itemize, so please let us know of all cash contributions you have made in 2020.***

Employee work related business expenses are no longer deductible on the Federal return, but we may still need the information for your state return, and if you incur a lot of these types of expenses, you need to discuss the use of an accountable plan with your employer. With many folks working from home this year a simple tool to help is to see if your employer has an accountable plan to reimburse you, tax-free, for the business use of your home.

If you paid mortgage insurance premiums this year please call us immediately-there are some immediate actions you should take to save hundreds if not thousands of dollars.

### **Compliance**

The IRS has added a new question on the very first line of the 2020 Form 1040 asking whether you have bought, sold, traded or spent any virtual currency and we must ask you to verify this for us to avoid IRS penalties.

Finally, in order to prepare your return this year **we are required** to obtain all of your W-2's, 1099's from retirement, interest, dividends and brokers, Forms 1095 for health insurance, bank Forms 1098 and any other official IRS documents.

## **Planning**

In the current tax era of greatly increased requirements to itemize deductions, a tax "bunching" strategy is absolutely mandatory. The "bunching strategy" recognizes that the best tax deductions are obtained by putting deductions in one year rather than spreading them amongst several years. For example, in years where your charitable contributions are very low, hold off until the next year to catch up, then also pay the full amount of the next year's contributions in the "catch up" year in order to double your chances of itemizing. Similarly, few Americans receive medical deductions anymore, but if you incur a large expense for say, the deductible on surgery, then try to do all of your other medical items in the same year, such as dental and vision exams, check-ups, etc.

If you have a Health Savings Account it is also mandatory that you deposit some amount into it, and leave a minimal balance at all times-the tax savings benefits are incredible and this is one of the single best plans available.

Every year we are told "I pay too much in taxes" or "I want some of the tax loopholes that rich people get". We can answer both statements with one answer. Rich people get no more tax deductions or "loopholes" than anyone else, they just take advantage of what is there to keep their taxes at a low legal level. The single greatest tax "loophole" that they use, which few average people use to its limit is the ability to defer nearly \$20,000 into a 401-K if your employer has one. If your employer has a 401-K and you are not putting the maximum deferral in it, there is no reason to even think about other tax planning ideas.

Check into your employer's handbook to see what employer provided fringe benefits are available. Taxpayer's are often surprised at the available benefits, or at our explanation of what some benefits really mean. We offer special "tax planning" sessions to go through the handbooks and your paycheck to see what is available and what your options may be, via appointment.

It looks like estate tax will become an issue again for many Americans. If the value of your home, life insurance, retirement and savings or investments is over \$1,000,000 it may be time again to do some advance planning either before the end of the year preferably, or after tax season. In either event, please call us to do this either virtually or via email.

We are happy to meet with you throughout the year for tax planning, retirement and similar income tax related issues, and sincerely appreciate your continued business each year. One final word, if you still have documents in your SecureFilePro folder from any prior years, please get those downloaded or printed for your records. We will be cleaning out all of the old files in order to make room for the 2020 Tax Documents.

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