

Benson Tax Notes

www.bensontaxservice.com

860-429-1001

January 2021

Stimulus Received (Economic Impact Payments)

If you have not received stimulus payments and think you should have, or if you do not think you received enough, it can be corrected on your 2020 income tax filing.

The money you have received is NOT taxable. It is a tax credit, based on your 2020 income. It was given to you early, to help with economic hardship due to the pandemic.

If you received too much, you do not need to return it (in most cases).

Include, with your tax papers, any letters received from the IRS stating your stimulus amounts. We must report those numbers on your 2020 tax return.

You can look up the dates you received stimulus payments on: **www.irs.gov** and click on the box: 'Get My Economic Impact Payment'.

Then look in your bank account to see the amounts deposited. We must know how much you have received.

Supply All Information

It is very important that all your information come to the office together, in person or by mail, to avoid a surcharge.

Please do NOT email information. Supply everything by hard copy, for your own security. Protect your social security and identity from scammers and thieves.



Nitsa's Notes:

This past year has been very difficult for many of you, and we do not know what the future has in store. Let us take one step at a time as we wrap up your 2020 tax filings and plan ahead for 2021.

How do we meet?

Feel free to snail mail me your complete tax papers, or drop them off. I can meet you in front of the garage to receive them, with masks. Do not email documents.

Make sure you include current telephone numbers and emails so that I can contact you with questions.

If you prefer to meet in person, we can discuss that option when you call. I prefer we wait until I am vaccinated.

Deadline for appointments:

Contact me before the end of March if you wish to have your taxes prepared.

God's blessings to you all,



Extended

Mortgage Insurance Premiums
Extended through 2021.

Energy Credits for windows, doors, etc. unless you already reached the \$500 credit limit, through 2021.

Discharge of Debt Forgiveness on primary residence, through 2025.

Solar & Similar Credits will stay at 26% for 2021 and 2022, then 22% for 2023, and 10% or 0% thereafter.

Made Permanent

Charitable Donations
Up to \$300 of money donations can be deducted when not itemizing.

Medical Threshold
Stays at 7.5% of income.

Teacher Expenses
Up to \$250 of teacher, professional and PPE expenses.

RMD age is 72 for 2020 and beyond
Required Minimum Distributions (RMDs) from retirement accounts and IRAs can now start at 72, not 70.5.

Donations from IRAs
At 70.5 years old, IRA distributions up to \$100,000 are not taxable if contributed directly to qualified charities.

Marketplace Insurance

If you obtained health insurance from the Healthcare Marketplace, include **Form 1095-A** with your papers.

E. Nitsa Benson, EA, MS
(Enrolled to Practice before the IRS, Master of Science)

Benson Income Tax Service

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18 Ridgewood Rd, Willington, CT 06279

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Social Security/Medicare

For 2021:

- Wages subject to Social Security: \$142,800/yr
- Wages subject to Medicare tax: No ceiling
- Earnings needed/quarter of coverage: \$1,470/quarter
- Max earnings before full retirement: \$18,960/yr
- Medicare premiums for new enrollees: \$148.50/month, minimum, \$504.90/month maximum.
- Additional Medicare taxes:
0.9% on wages over \$250,000
3.8% on investment income

If your retirement income will drop substantially, contact Social Security to fill out paperwork to lower your Medicare premiums if they are higher than the base of \$148,50.



Retirement Contribution

Elective limits:

	<u>2021</u>	<u>2020</u>
Traditional IRAs	6,000	6,000
Roth IRAs	6,000	6,000
Catch-up for 50+	1,000	1,000
401k & 403b	19,500	19,500
Catch-up for 50+	6,500	6,500
Simple plans	13,500	13,500
Simple catch-up	3,000	3,000

IRA contributions are limited by income. Excess withdrawals must be made by April 15th.

Health Savings Accounts

If you personally contribute additional money to your HSA, please let me know and we will make it non-taxable.

Please print and bring both forms:

Form 5498-SA
Form 1099-SA

Contribution limits for eligible high deductible health insurance plans (up to \$7,000 self, \$14,000 family):

	<u>2021</u>	<u>2020</u>
Single	3,600	3,550
Family	7,200	7,100
Catch-up for 55+	1,000	1,000

Mileage Allowance

Please note year-end odometer readings.

Self employed individuals: please bring your business mileage logs.

Mileage allowances (cents per mile):

	<u>2021</u>	<u>2020</u>
Business	56.0	57.5
Medical	16.0	17.0
Charity	14.0	14.0

Business Meals

Please list the number of nights spent in each city for business. Note arrival and departure times from home for first and last day. I will then find the meal allowance for that city.

Business Owners:

File 1099-NEC or 1099-MISC

You must issue a 1099-NEC for services, and a 1099-MISC for rent, to anyone you pay \$600 or more unless they are a Corporation, otherwise there are penalties.

I stock blank 1099-MISC, 1099-NEC and 1096 forms. If you would like them prepared, please let me know well before January 31.



All Income is Reportable

- Deal with crypto currency?
- Started a new business?
- Renting out a room?
- Driving passengers for pay?
- Landscaping for neighbors?

All income is reportable. Please let me know so that we can prepare your tax returns correctly.

Gambling Win/Loss

All gambling winnings must be reported whether you did or did not receive an income statement.

Please bring your gambling logs and casino win/loss statements.

Please Use Organizer

Please complete the enclosed organizer. Include it with all your tax documents.

Business owners, the **Business Organizer** is available on my website. Please use it, or a similar report (like Quicken), that clearly shows income and expenses.

Foreign Accounts

FinCEN Form 114, FBAR.

Foreign bank accounts that exceed \$10,000 must be disclosed on Schedule B, and on FinCEN Form 114 (FBAR), or pay penalties.

Form 3938. Foreign assets over \$50,000 must be disclosed on Form 3938 to avoid a \$10,000 penalty.



Mortgage Interest

If you bought a home or refinanced existing loans, please bring all closing (disclosure) statements. Home equity loans are not deductible unless used for the purchase or improvement of the home.

Debt Forgiveness

If you walk away from your house, auto, credit card loan etc., Chances are you have had debt forgiven. The amount forgiven may be taxable.

Any 1099As or 1099Cs received must be included in your tax papers in order to address them.

Gift & Estate Limits

The person donating anything (including a home) that is worth more than \$15,000 is responsible for filing a gift tax return. Please let me know about gifts given.

Federal Gift and Estate Limits:

	<u>2021</u>	<u>2020</u>
Gifts	15,000	15,000
Estates	11,700,000	11,580,000
CT Estates	7,100,000	5,100,000

Custodial Parent

For tax purposes, the custodial parent is the parent with whom the child spends more than half the nights in a year, despite what the divorce decree says.

A custodial parent can assign the dependency to the non-custodial parent by signing Form 8332.

Proof Needed

The IRS is requiring proof for certain credits and claims. I need to keep that proof in my files to avoid fines.

Please include written proof with your papers for:

Child Tax Credit

For children less than 17 year old, document showing child's name and your address.

American Opportunities Credit

Tuition for first 4 college years, Form 1098T from college.

Earned Income Tax Credit

Document showing child's name and your address, and dates lived with you.

Head of Household Filing Status

Who else lives in your home, their income, how support is provided.

College Expenses

Include Form 1098Ts and transcripts of college tuition bills.

Tuition & Fees up to \$4,000 may be deducted from taxable income.

American Opportunity Credit up to \$2,500 per student for tuition, fees, books, for first four years of college.

Lifetime Credit of up to \$2,000 per tax return, for tuition and fees.

Student Loan Interest up to \$2,500 can be deducted if taxpayer is liable for the loan.



CONNECTICUT NEWS & REMINDERS

Keeping Retirees in CT

Singles with AGI of less than \$75,000 and Couples with less than \$100,000:

1. Social Security benefits

will not be taxable on your Connecticut return.

2. Pensions & Annuities

(not IRAs) 28% of these will not be taxable on your Connecticut return.

For 2021, this becomes 42%.

If you want to know whether your 1099R qualifies, look to see if the tiny IRA box is checked on the 1099R received. If it is clear, it should qualify.

Retired Teachers

A portion of pensions received from the CT Teachers Retirement system is excluded from CT tax.

2020, 25% not CT taxable
2021, 50% not CT taxable

Retired Soldiers

100% of military retirement income continues to be tax exempt for CT.

Widows/widowers receiving survivor benefits also qualify for this exclusion.

Property Tax Deduction

For 2020, the property tax deduction of \$200 is only available to taxpayers 65 & over, and to anyone with dependents. It is gone in 2021.

Sales Tax for Out-of-State Purchases

All states require you to pay sales tax on anything purchased out-of-state, that has not already been taxed.

This is handled on your state return. Please supply a list of such purchases.

Crumbling Foundations

The state is coming through with help, through the CT Foundations Solutions Indemnity Company, for those with crumbling foundations, but it is a long process.

If you have replaced your foundation but not all costs were covered by other means, we may be able to amend your 2017 tax return and file for a casualty loss to save a bit of tax.

The 2017 amended return filing season closes April 15, 2021. We do not have much time left to file those amended returns.

College Savings (529s)

Contributions to your state's 529 plans may give you a tax benefit. Connecticut does give a nice credit. Please inform me of any such contributions.

Added Security

All taxpayers can now apply to the IRS for a six digit Identity Protection PIN (IP PIN) for their federal tax return to help protect from scammers.

Apply at: www.irs.gov/GetAnIPPIN.

If you receive such a PIN, please let me know. We cannot file your federal return without it.

Unemployment

Many of you have received high unemployment compensation. My guess is you did not have enough withheld, and therefore may owe taxes.

Be prepared for a potentially large shock.

You may have to go on line to print out your unemployment statement.

W-4 Form

In order for us to make sure your withholdings are adequate, please print and bring a recent normal paystub from 2021 for every source of income into your household.



Please: Call Early for Appointment ~ Read Newsletter ~ Complete Organizer
Do not send sensitive documents by e-mail
Print and bring/mail all documents

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E-mail and Phone Scams

Several of you have received disturbing telephone calls or emails that sound and look authentic.
Now calls from the 'Social Security Administrations' have also started.
It is unfortunate that some people choose to scare others in an attempt to steal money.

The IRS never initiates contact with you via e-mail or by telephone.
Any e-mail, however sophisticated, informing you of a refund or seeking any personal information is a scam.
Any telephone call from the 'IRS' is suspect unless you are already in dialogue with the IRS
due to previous authentic correspondence from the IRS.

Do not open or respond to any such emails or phone calls.
Never click a link in any email. If you are not sure, call the office first to see if your IRS communication is genuine.
At the IRS's website, www.irs.gov, there is information on how to handle such scams.

Directions To Office

Complete directions can be found at www.bensontaxservice.com.
Ridgewood Road is a short, *cul-de-sac* off of Pinney Hill & Latham roads in Willington.
The office is in our home at #18 Ridgewood, the 4th house on the right, taupe, with a front porch.
Use the front door or the garage entrance.

Please complete the enclosed organizer before coming to your appointment

Privacy Policy

The policy of Benson Income Tax Service is to handle all information you provide us with utmost care, and to hold it in the strictest of confidence. We do not disclose any nonpublic personal information about our clients or former clients to anyone, except as permitted or required by law.

If you wish any such information to be disclosed to anyone, such as a financial advisor, bank representative or relative, a signed **Disclosure** Form, available on our website, must be received by the office ahead of time.

IRS: 800-829-1040 www.irs.gov
CT DRS: 800-382-9463 www.ct.gov/DRS

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