
HARTLEY

Tax & Accounting, LLC

Greetings to clients and friends,

Once again, I would like to say how appreciative I am of the opportunity to serve you. This tax year has seen tremendous changes by Congress and the IRS. As I write this letter there is talk of many last-minute changes. Rest assured, as changes are made, I will let you know the affect it will have on your specific situation when we prepare your return in 2021.

If you would like to drop off your information to us, your return will be processed in the order it has been dropped off or mailed. Once the return has been completed, we will notify you with the results. Due to extra forms and all the new IRS regulations, we will be increasing pricing by \$8 this year.

We are once again making our **tax organizers** available. This year, they will also be **available online** at Hartleytaxaccounting.com. It is our attempt to be as thorough as possible in the preparation of your return. Make sure you look it over and fill in or check everything that applies to your tax situation.

This year (as in last) we have a **DUE DILIGENCE form** that **MUST be filled out and signed**. We are **REQUIRED by the IRS** to have this form on file. PLEASE fill this out and bring to our office. If we don't have it we will have to call and get this information before we can complete your return.

We want to bring some special items to your attention below.

President Trump signed the government funding bill in December of 2019 (the Further Consolidated Appropriations Act, 2020) which included many tax provisions. The SECURE Act was also signed in Dec 2019 and became law January 1, 2020. The CARES Act was passed in 2020. This economic stimulus package was enacted in March of 2020 and helped boost the economy. And then we had the various 'tweaks' to the new rules and adjustments to inflation. All of these added huge implications to individual tax returns. We have been working hard this year!

Below is a list of some of the important tax law changes for 2020.

-Most tax payers received a **stimulus check** for \$1200 (\$2400 for couples filing jointly), plus \$500 more for each child under 17. The payments were phased out for joint filers with adjusted gross incomes above \$150,000, HOH filers with AGIs above \$112,500 and single filers with AGIs above \$75,000. Your stimulus check was an advance payment of a special 2020 tax credit also called the recovery rebate credit. When we prepare your return we will reconcile what you received to what you are entitled to claim. If you should have received more, you will get it on your 2020 return. If you were supposed to receive less, you will not have to pay it back. These checks are not taxable. The SECURE Act and the CARES Act contain many changes to retirement plans. The beginning age for taking Required Minimum

Distributions rises from 70 ½ to 72. You also can skip taking RMDs in 2020 without penalty. You can make contributions past the age of 70 ½ . If you are having a baby or adopting a child you can now take distributions from IRAs and 401(k)s of up to \$5,000 without paying the 10% penalty. The rules for withdrawing money from inherited IRAs and workplace retirement accounts have changed as well. If you take a distribution from a retirement account (up to \$100,000) due to a coronavirus related distribution the 10% penalty is waived and you have three years to put the money back with no tax consequence. There are special forms we will file for you. There are many more changes we will talk to you about concerning retirement changes if they affect your situation.

Tax Brackets have changed again. These brackets have so many implications for various reasons. They affect health care costs in some situations, capital gain implications, school scholarship programs and many more.

| <i>Tax Rate</i> | <i>Taxable Income (Single)</i> | <i>Taxable Income (Married Filing Jointly)</i> | <i>Taxable Income (Head of Household)</i> |
|------------------------|---|---|--|
| 10% | Up to \$9,875 | Up to \$19,750 | Up to \$14,100 |
| 12% | \$9,876 to \$40,125 | \$19,751 to \$80,250 | \$14,101 to \$53,700 |
| 22% | \$40,126 to \$85,525 | \$80,251 to \$171,050 | \$53,701 to \$85,500 |
| 24% | \$85,526 to \$163,300 | \$171,051 to \$326,600 | \$85,501 to \$163,300 |
| 32% | \$163,301 to \$207,350 | \$326,601 to \$414,700 | \$163,301 to \$207,350 |
| 35% | \$207,351 to \$518,400 | \$414,701 to \$622,050 | \$207,351 to \$518,400 |
| 37% | Over \$518,400 | Over \$622,050 | Over \$518,400 |

If you are taking the standard deduction, you will be allowed to write off up **to \$300 of charitable contributions** this year (the tax act that is waiting to finalize as I am writing this might increase this to \$600 for married joint returns).

Many tax breaks that were expiring were revived. They include deductions for mortgage insurance premiums, college tuition, an exclusion for forgiven mortgage debt and credits for certain energy-saving improvement to your home.

There are two changes to the **529 college savings plan** starting in 2020. Funds can now be used to pay for fees, books, supplies and equipment for certain apprenticeship programs. You also can take out up to \$10,000 total (not annually) for paying off student loans! Also, **529 Plans** continue to be popular, especially for Indiana taxpayers who contribute to them. We must have end-of-year statements showing total contributions. Ask about them if you have questions

The **2020 standard mileage rate** for business miles fell from 58 cents to 57.5 cents a mile (and is dropping again in 2021 to 56 cents per mile).

The IRS disclosed that **identity theft continues** to be an issue. Due to this problem, some may have been given a PIN from the IRS. We will need that PIN in order to e-file your return

There have been a fair number of changes in the deductibility of **out-of-pocket medical expenses** over the last few years. For 2020, total amounts in excess of 7.5% of your income will be deductible if you are able to itemize. Medical expense may include costs of co-pays, deductibles, prescriptions, nursing home costs, etc.

Not having the complete and proper information has continued to be an occasional problem in completing returns when claiming **education credits/deductions**. . These credits can **save you thousands of dollars**, so it is very important that we receive and apply appropriate information.

In 2018, 2019 and **2020**, an individual may claim a **credit** for (1) 10 percent of the cost of qualified energy efficiency **improvements** and (2) the amount of the residential energy property expenditures paid or incurred by the taxpayer during the taxable year (subject to the overall **credit** limit of \$500).

If you have sold property make sure we know. If the property is not your personal residence you should receive a Form 1099-S. We need that form. You should keep track of all expenses for preparation of sale, closing costs and such. This will decrease your taxable income.

Rest assured that we will utilize the best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. I look forward to using my over 29 years of tax experience to get you these results.

Wishing you a healthy and happy 2021!

Jean Hartley, CEO, EA
Hartley Tax & Accounting, LLC
(260) 749-0444
(260) 749-4002 (fax)