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Mid-Year Newsletter

Hello All,

First & foremost - here is hoping that you and yours are healthy and safe.

Stealing a line from the Grateful Dead, “what a long, strange trip it’s been”. At the beginning of 2020 one of most pressing issues Accounting & Tax Professionals faced was how to complete the new W-4!

Writing this newsletter in early September, all my comments are based on the latest information available. I do not foresee any major changes in tax law before 2021.

Working From Home (WFH)

On the **Federal** level, there is **NO** deduction for office in home for employees. In case my crystal ball is wrong, please take a look at <https://www.irs.gov/taxtopics/tc509> for a discussion of Business Use of Home. Please contact me if you have questions.

On the **State** level, on the NH side of the border WFH is a non-issue, on the MA side of the border there maybe some changes coming. I attended the public hearing on proposed MA regulation 830 CMR 62.5A.3 (<https://www.mass.gov/regulations/830-CMR-625a3-massachusetts-source-income-of-non-residents-telecommuting-due-to-the-0>). For now those folks who work for a MA company but have been working from home please keep track of the days worked from home. Please contact me if you have questions.

Charitable Contribution Deduction

For most of us the increased standard deduction is larger than itemizing and keeping track of charitable donations has become a thing of the past. At the end of March the CARES (Coronavirus, Aid, Relief, and Economic Security) Act was passed, one part of the CARES Act allows a Tax-Unit (Seriously that is the terminology) to deduct up to \$300 in **CASH** donations, so please keep your receipts. Please contact me if you have questions.

Stimulus Payment

Some clients will be entitled to additional stimulus money when we file your 2020 tax return. Some examples are people with a child born in 2020, and therefore, not listed on their 2019 tax return, and people whose income was too high in 2018 and 2019 but has dropped for 2020. For these and other situations, you will need to know how much you received as stimulus money. Please make sure you keep the Notice 1444 which is what

the IRS sent in the mail to confirm that it sent the stimulus payment to you. Please contact me if you have questions.

IRS Backlog

When the shutdown happened in March 2020, the IRS shutdown along with most of us, and they began reopening at the same time we did. At this point most of the IRS is back, however some campuses/facilities have shut down due to COVID-19 flare ups. When the IRS started their return to work, they faced 10-13 million pieces of unopened mail! According the regional IRS Liaison that backlog is down to five million pieces of mail. Please be patient if you mailed something to the IRS. I strongly suggest that if you do mail something to the IRS you use either Certified or Priority Mail to get tracking.

3rd Party Verification

If you track mileage for your tax return, one really neat way to get an approximation of mileage is to have service work done on your vehicle near the beginning and end of the year and keep the work/service order with your tax documents. If there is an audit and you have claimed mileage, producing the work/service orders can help verify the mileage.

Representation

As an Enrolled Agent I can represent taxpayers at any level of the IRS. Consequently, I have spent some of my free time taking Continuing Education courses/webinars and concentrated on Representation. For my clients, I will represent you or help you find someone to represent you if I feel it is outside my expertise or if it is to your benefit to have someone else represent you. If you have a friend or relative who needs representation before the IRS, please give them my contact information.

Unemployment

By law, unemployment compensation is taxable and must be reported on a 2020 federal income tax return. Taxable benefits include any of the special unemployment compensation authorized under the CARES Act that was enacted this spring. Please contact me if you have or are receiving unemployment and have not had any withholding. There are ways to pay now so you do not have to pay with interest and penalties later.

Protective Claim ACA (Affordable Care Act)

Under the ACA, the individual mandate created a tax penalty for individual taxpayers without health insurance. In 2012, the Supreme Court ruled that the individual mandate was constitutional as the penalty on individuals who did not buy health insurance was a tax. However, the Tax Cuts and Jobs Act amended the ACA to reduce the penalty to zero. In response, a group of states led by Texas went to federal court claiming that the ACA was unconstitutional because the penalty was now zero, and therefore no longer a tax. The Supreme Court has agreed to hear the case. The justices are expected to hear the case later this year, with a decision most likely to be made some time in 2021. If you know of anyone who had to pay the penalty for not having health care, please have them contact me. We can file a Protective Claim now and if the Supreme Court agrees with Texas, possibly recoup the penalty. **Note: this only applies to 2017 & 2018 tax years.**

Secure File Portal

In last year's Mid-Year Newsletter, I shared with you that I had set up a secure Portal where we can scan, upload and exchange documents in a safe and secure manner. Having the Secure File Portal was an enormous help in maintaining social distancing and data security. Setting up your account is easy, and I do ask you to do so if you can. Please contact me if you have questions.

Tax Planning for 2020

This past tax season, a few of my clients were shocked at how much they owed for 2019. If you are interested, we can start planning now for 2020 taxes. Please contact me and we can do some planning, this is not a free service and is subject to my hourly rate (for clients) of \$30.

Questions

In the past I have been *VERY* lenient and have not charged for my time answering client's questions. Some folks have taken advantage of my leniency (most of whom are no longer clients). Simple questions with easy answers will still be at no charge, however if you have questions that I need to spend time to research there will be a fee. This fee does not pertain to preparation of your tax return or bookkeeping. Please do not hesitate to contact me with questions, I will let you know if there will be a fee, and my hourly rate is very reasonable.

On a personal note, Judy, The Shiba 3, and I are all well. The Shiba 3 and I helped provide "security" when Judy was working during the shutdown, below is a picture of the Shiba 3 during one of their night shifts.



BE SAFE, BE WELL

Scott