



Year End Individual 2020 Income Tax Letter

DEAR CLIENT,

Happy 2021! We are excited to assist with your income tax preparation needs and wave goodbye to the year 2020. Please review this letter for things we find especially important for your 2020 income tax return.

APPOINTMENTS AND OFFICE HOURS

Appointments for returning clients will be scheduled for 30 minutes. If you have significant changes over a prior year, please request your appointment to be extended to one hour. **Zoom or phone meetings are preferred.** Appointments are not required for returning clients. Once you have collected everything, feel free to drop the documents off at our office OR send them through our secure portal upload at www.corecpa.net. Click "send us a file" in the footer of the home page. We are not accepting email attachments of tax forms as part of our email security policy.

We will not be able to finish your tax return the day of your initial appointment. If you have a less complicated return, we will try to get it finished as soon as possible. Our average turnaround time on simple returns is 10 business days from the time we receive all necessary documents. Our green process flyer explains this in more depth.

Office hours starting January 11th are 8am through 5pm, Monday through Friday. We will remain open until 6pm on Tuesdays from February 2nd through April 13th to accommodate those who need to stop by after work.

QUESTIONNAIRES

Please complete and sign our questions and engagement letter. We need both these documents completed before your appointment or before you drop off your documents. If you would like a full tax organizer, please contact the office.

STIMULUS CHECKS

Many Americans by now have received the stimulus money set forth by the CARES Act provisions. If you received any stimulus funds, you also should have received the Notice 1444 signed by President Trump. Please provide that notice to us with your tax documents. If you did not retain that notice, at the very minimum need you to provide us with the total amount of stimulus money you received from the IRS.

UNEMPLOYMENT

We are expecting an increased number of clients who have received unemployment due to job losses created by the pandemic. If you have received unemployment, please be advised that unemployment is still considered income in the eyes of the IRS, and it will need to be reported and taxed on your tax return. Please provide us with the appropriate tax form 1099G to include this income on your return.

RETIREMENT DISTRIBUTIONS

The CARES Act created new provisions for retirement distributions. It expanded distribution options and favorable tax treatment for up to \$100,000 of coronavirus-related distributions from eligible retirement plans. It also increased the limit on the amount a qualified individual may borrow from an eligible retirement plan (not including an IRA) and permits a plan sponsor to provide qualified individuals up to an additional year to repay their plan loans. You must meet certain qualifications set forth by Congress and the IRS to qualify for these provisions. **Your form 1099-R will not give us enough information to file your tax return if you took advantage of the CARES act provisions, and it may even be inaccurate in certain cases.**

In addition to form 1099-R, we will need additional information on if you are planning on paying the taxes ratably over a three-year period, or if you'd like to pay all the tax on the distribution in 2020. We will also need to know if you are planning on repaying any part of your Coronavirus-related distribution. Generally, you have three years to repay. You may be facing amended returns, penalties and interest from the taxing agencies, and fees from us if we receive inaccurate or missing information. If you are concerned about your specific situation regarding a coronavirus-related retirement distribution, please talk to us.

AFFORDABLE CARE ACT 1095-A

If your insurance coverage was through the healthcare exchange, we **MUST** have Form 1095-A to properly prepare your tax return. Not providing that information on the tax return will delay your refund and cause the IRS to issue you a letter.

VIRTUAL CURRENCY

If you have acquired, sold, or received virtual currency (including but not limited to Bitcoin, Litecoin, Ethereum, etc.) we will need account statements for 2020, as there may be some taxable events to report. An Excel spreadsheet is preferred.

CHILDREN/STUDENT TAX RETURNS

Please let us know if you have any changes in dependents from the previous year. Allowing a child to file their own return, particularly a student, could cost the family thousands of dollars in credits. If you have a student in college bring in Form 1098T and receipts for textbooks, registration fees, and supplies.

UNREIMBURSED EMPLOYEE EXPENSES

Unreimbursed employee expenses for W-2 employees are still un-deductible for 2020. If you are an employee with these expenses, but are not reimbursed by your employer, we recommend you ask your employer to reimburse you under an Employer Accountable Plan. A reimbursement is a tax deduction for your employer and is not counted as income to you, the employee, making it a win for both sides.

MORTGAGE INTEREST

Only money used for buying or building the principal residence, or improving the value of the property, is deductible on your 2020 tax return. We will need the Form 1098, issued by your lender, to accurately deduct mortgage interest. Additionally, we must obtain refinancing closing statements.

CHARITABLE CONTRIBUTIONS

The new law does make it harder to itemize, but the receipt rule has stayed the same. For those returns that don't itemize, there is a new **\$300 above the line deduction** for **cash** charitable donations. Contributions of ANY amount, to qualifying 501(c)(3) organizations, must have a receipt. For each contribution over \$250 we must also have an acknowledgement letter from the charity showing the date, amount, and it must state that "no goods or services were received in return for the contribution." **Any non-cash gift over \$5000 MUST have an appraisal.**

RENTAL PROPERTY

If you own rental property, we need the following information **FOR EACH PROPERTY SEPARATELY**: income, expenses, physical location, type of property (single-family, duplex, self-rental), any 1099 forms received, a record of the number of days rented and the number of days used for personal purposes. This also includes your vacation home, if you are renting it out part-time. Totaling income and expenses in Excel is always preferred.

FOREIGN ACCOUNTS

The IRS is looking closely for offshore accounts. If you have any assets or business interests with a value of \$10,000 or more in a foreign country or a foreign business ownership (not through a mutual fund), please let us know as some special rules apply to you. There are **substantial penalties** for failure to disclose these items. **Reporting dates for Foreign Bank and Financial Accounts (FBAR/FinCen) are due April 15.**

FEES

Our base fee for individual returns has remained the same at \$300. Our pricing is dependent on which tax forms you need. A few of our forms and additional state filings have had price increases because the new law has led to more complexity.

Payment is still due when we deliver your completed tax return to you. A \$5 late fee is assessed each month until your bill has been paid.

*There are many other changes that we will consider this year while preparing your return. We are requesting everyone to have their tax information to us no later than **March 18th, 2021**, to ensure your tax return is filed by the April 15th deadline. Please rest assured that we will utilize all our resources to provide you with timely, complete, and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for trusting us with your tax-preparation needs. We sincerely appreciate your business.*

Core Accounting and Consulting