A Note from the Accountant's Corner: **Dec-2020**

Greetings from the Accountant's Corner. First and foremost, happy holidays to your family & you. I pray that you all are safe & healthy as we endeavor to draw closer to an exodus from this pandemic and experience a more prosperous 2021.
Speaking of 2021, believe it or not, we are on the threshold of another year, and with every New Year comes tax planning and preparation.

The question that I'm normally asked quite often during this time of the year is what's new and what's in store for the upcoming tax year. It's actually a loaded question, so I'll address it by identifying just some of the items of importance that may impact many of you. I would also encourage you to contact your tax professional to learn how your individual tax outcomes may be impacted by this year of legislative change.

The biggest impact on this coming tax year is found in The Coronavirus Aid, Relief, and Economic Security (**CARES**) Act that was passed by congress and signed into law by President Trump on March 27th, 2020. Here are a few notable details:

2020 ECONOMIC IMPACT PAYMENTS (EIP). If you received an Economic Impact Payment (EIP), you will not need to include the payment as taxable income on your 2020 tax return or pay income tax on the payment. The EIP payment will not reduce your refund or increase the amount of tax you owe on your 2020 federal income tax return. Those who received an Economic Impact Payment will also receive a **Notice 1444**, "Your Economic Impact Payment." It's important that retain a copy of the notice with your tax records. Additionally, you may be able to claim the Recovery Rebate Credit on your Tax Year 2020 federal income tax return if you meet the income eligibility criteria in 2020 and (a) you didn't receive an EIP, or (b) your EIP was less than $1,200 ($2,400 if married filing jointly for 2019 or 2018) plus $500 for each qualifying child you had in 2020.

REFUNDED INTEREST. The IRS sent interest payments to individual taxpayers who timely filed their 2019 federal income tax returns by the extended July 15, 2020 deadline, and received refunds. Most interest payments were received separately from tax refunds. By law, these interest payments are taxable and taxpayers who receive them must report the interest on their 2020 federal income tax return. In January 2021, the IRS will send a Form 1099-INT to anyone who receives interest totaling at least $10. The COVID-19-related July 15 due date was considered a disaster-related postponement of the filing deadline. Where a disaster-related postponement exists, the IRS is required, by law, to pay interest, calculated from the original April 15 filing deadline, as long as an individual filed a 2019 federal income tax return by the postponed deadline.

UNEMPLOYMENT COMPENSATION. In 2020, many people received unemployment compensation authorized under the CARES Act. Unemployment compensation is taxable and must be reported on your income tax return. Unemployment benefit recipients should receive a Form 1099-G, Government Payments, from their state tax agency in January 2021 either by mail or electronically. Form 1099-G reports the amount of unemployment compensation received along with any federal or state income tax withheld. Be sure to include these amounts on your 2020 federal tax return.

10% PENALTY ON EARLY WITHDRAWALS WAIVED. Early withdrawals or distributions of $100,000 or less from a retirement plan or IRA in 2020 for coronavirus-related reasons will not incur a 10% penalty. The Act states that a coronavirus-related distribution means any distribution from an eligible retirement plan made on or after January 1, 2020, and before December 31, 2020, to an individual a) who is diagnosed with COVID-19; b) whose spouse or dependent was diagnosed with the virus; and

c) who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to the virus, being unable to work due to lack of child care due to the virus, closing or reducing hours of a business owned or operated by the individual due to the virus, or other factors as determined by the Secretary of the Treasury. Additionally, in the case of any coronavirus-related distribution, unless the taxpayer elects not to, any amount required to be included in gross income for such tax year will be so included ratably over a three-tax-year period beginning with tax year 2020.

RETIREMENT PLAN LOANS. Under the CARES Act, and for taxpayers affected by COVID-19, loans from a qualified plan on or after March 27, 2020, and before Sept. 23, 2020, may be made up to the lesser of $100,000 (instead of $50,000) minus loans you currently have outstanding, or 100% of your account balance. The taxpayer now has up to six years (instead of five) to repay the loan. For new and existing loans, plans can also suspend loan repayments due between March 27, 2020, and Dec. 31, 2020, for up to one year. Typically, at least those repayments originally scheduled for 2021 must resume in January 2021.

Under the SECURE Act (refer to my previous article), and for contributions made for tax years beginning after 2019, individuals of any age can make contributions to a traditional IRA, assuming the taxpayer has sufficient earned income. Previously, taxpayers were not allowed to make an IRA contribution once they reached age 70½ by the close of the year.

CHANGES WITH CHARITABLE CONTRIBUTIONS. In prior tax years, charitable contributions were only deductible if the taxpayer itemized his expenses via Schedule A. But for 2020, The CARES Act allows for a deduction, not to exceed $300, of qualified charitable contributions by an individual who does not itemize his expenses.

For those who file Schedule A, the Act also allows an individual to generally deduct all cash contributions to the extent of 100% of the individual's gross income (which was previously set at 60%). Now is perhaps an excellent time of the year to make those year-end catch-up contributions.

These are but a few tidbits that have come out of the CARES Act. Thus we witness some tax-related greener pasture in the midst of these challenging times. Please contact your tax professional sooner rather than later to see how the CARES Act may impact your specific tax outcomes.

Happy tax filing season!