

Hons Tax Associates

January 2021 Tax Newsletter

We all hope 2021 will be easier than 2020!

Practical stuff

For your coming tax return, you can at your choice:

- . schedule a short appointment when you bring your tax document

This is my preferred way. I use a one-page client intake form to avoid mistakes and get you all your deductions and credits. We will meet (with masks) in a conference room. Either click on "schedule an appointment" on our website thetaxofficeco.com or [here](#) or call me on my cell phone 303-929-8090 if you would like to chat before.

- . upload your documents on our secure portal. Please call me on my cell phone if so. I need pdf files (jpg files are just too hard to use). I will ask you to fill the one-page intake form I will upload. If you don't have a scanner, use the **Genius Scan** app (thru Google play) on your Android cell phone or iphone: it scans as pdf files, is free, very simple to use, with over 20 million users.

- . mail me your tax documents (address below) with notes or meet me on the parking lot (please call me on my cell before). I will then need to check your information with you over the phone or email. This way is harder for me if you are not easy to contact after, which would create delays.

New Coronavirus Stimulus package

Congress voted the new stimulus on Dec 28. In it is a \$600 per person (including qualified children) stimulus money (we don't know about a possible \$2,000 instead, vote was delayed on it). IRS is going fast on it: many who e-filed their 2019 return with refunds via direct deposit already received it (mine came in my bank account yesterday). This stimulus money is subject to the same income phase-out than previous stimulus (see last newsletter)

Other general interest parts of the package:

- . Additional \$300/ week for workers receiving unemployment, from 12/26/2020 to 03/14/2021

- . Businesses are now allowed to deduct expenses associated with their forgiven Pay Check Protection Program (PPP) loans. This finally clarifies the law in the best possible way for the taxpayer: forgiven loan is NOT taxable income, expenses paid with it ARE deductible.

- . small businesses are eligible to receive a second PPP loan when less than 300 employees and can demonstrate a revenue reduction of 25 percent.

Estimated payments

For those of you self-employed (or who may have substantial 2020 extra income with not enough withholdings: capital gains, retirement distributions for example): deadline for last quarterly payment to IRS is January 15, as usual. One can either mail a check with voucher to IRS (postdate by 01/15) or simply pay online at <https://www.irs.gov/payments>

If paying online, input address info exactly as on your last tax return and indicate this is an estimated payment for 2020. You can schedule the payment (for example schedule direct debit from your bank account on 01/15). This last quarterly payment, if enough, will avoid most penalties at tax time.

E-filing 2020 tax returns

IRS has not indicated yet when they will be opening their electronic doors, usually it is in the third week of January. We can do your return before, it is then queued for transmission to IRS. We expect refunds to come at about the same speed as last years (2 weeks or less for simple returns, 3 weeks or more when claiming credits). Direct deposit is the fastest way to get your refund.

Required Minimum Distributions (RMDs)

Many of you may know that the law has changed in two ways: from 70.5 years old to 72 years old and 2020 optional suspension.

Your RMD is the minimum amount you must withdraw from your account each year. It is normally calculated for you by your financial institution. You have to start taking withdrawals from your retirement accounts when you reach age 72 (but still 70 ½ if you reached 70 ½ before 01/01/2020). Roth IRAs do not require withdrawals.

Deadline to take the RMD is April 1 of the year after for the first RMD and then Dec 31 for each year after. Congress in the "Care" act of 03/27/20 allowed for an optional suspension of 2020 RMD: you can take it or not: your choice

Minimum wages for 2021 (starting 01/01/2021, highest apply)

Colorado: \$12.32/hr (from \$12.00/hr)

Denver: \$14.77/hr (from \$12.85/hr)

Federal: \$7.25/hr (has not changed since 2009):

Federal contract workers: 10.95/hr (from 10.80/hr)