

Hons Tax Associates March 2021 Newsletter

Hello

While we are all digging us out from that huge snow storm...!

Thank you all who have been coming back to the tax practice and welcome to the new clients. I hope you have been happy with the service.

I do the returns on a first-in first-out basis and I am 2 to 3 weeks out on the returns after I get the documents. Unless IRS decide to extend the April 15 tax season deadline (which they have not done), it is unlikely I will be able to file by April 15 the returns with documents brought to me after Monday March 29. I would file zero money owed extensions for these returns (I would not be able to figure out how much is owed to the tax authorities if money is owed)

IRS started issuing the 3rd stimulus money: \$1,400 per person, including for "other qualified dependents" per tax definition, who were not included in the first two stimulus. The stimulus phase-out starts at \$75,000 AGI for filing Single and \$150,000 AGI for Married Filing Jointly, with a faster phase-out than the two previous stimulus (full phase-out at \$80,000 Single, \$160,000 MfJ)

It is fully legal to hold off e-filing your return if your 2019 income was qualifying you for the third stimulus and your 2020 income does not (planning on getting the 3rd stimulus before April 15). A few of you are in that situation. More often, and because of Covid, 2020 income is lower than 2019 income, sometimes re-qualifying the taxpayers for 1st & 2nd stimulus in their 2020 returns. Although there has been some pressure on IRS to extend the filing season to June 15, so far they have not budged and the filing deadline is still April 15, I have no idea if they may extend it or not.

One provision of the new stimulus law just passed ("the American Rescue Package") is that the first \$10,200 of unemployment benefits received in 2020 are not taxable. This was a late development that Congress quickly voted into law. It does not look like IRS will be willing to compute it themselves on the returns they received, but they are also telling return processors to hold off amending these returns. If you are in this case (2020 unemployment benefits received and return already filed), I will amend your return for an extra refund at no cost to you in the next few days after April 15 after the tax software updates and tax preparers have clear instructions. You will have to come once for a few minutes to sign and pick up your amended return. Since Covid started, IRS has been very slow processing amended returns (3 to 6 months is common) and we hope they will be faster on these and use an automated process. There is nothing else you or I can do. I suggest that, when refund, you always indicate on your tax return your bank account info for direct deposit.

If you would like me to file your 2020 return and you have not brought in your documents, please either schedule an appointment before March 30 or ask me to file an extension for you (\$25 fee). You can also file an extension yourself on IRS.gov by April 15 (you must do it yourself and it requires a nominal payment). It is simple to do and I would not be able to help you individually do it. I will be available to file returns under extension this summer and before October 15, the 6 months extension deadline. I suggest not mailing to IRS the extension form, IRS mail processing time has been abysmal since Covid started.

Copyright Hons Tax Associates. Only for own personal use, not for distribution or commercial use