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November / December 2020

Dear Best Clients of All Time:

Well, this year was one for the books if ever there was one… I am so sorry if any of you suffered or lost loved ones during the COVID-19 pandemic, which continues to rage even now in late November as I write. Some of you know, but many do not, that my husband Steve passed away in late May due to brain cancer, of which we had been unaware. This brought on a great many things to deal with over the summer, with (I am sure) more still to come. I am doing okay – or at least I was, until the house next door to mine exploded in early November, due to a methane leak, damaging three of my windows (like I said, this year has been one for the books)!

Here in the office, we have continued through the pandemic with little change, other than doing more via phone and email. We wear masks when anyone does come in, have remained COVID-free to date, and expect that trend to continue. We do have one new addition to our team, my daughter Lauren, who has stepped in to assist with bookkeeping and taxes, as well as (hopefully!) streamlining our processes, so you may see a new face if you do come in this next year.

And now, even though it feels as though the previous tax season *just ended* (because it pretty much did!), it is time to remind you to start thinking about your 2020 tax returns! Please review the information provided in this letter, including the **CHECKLIST** and **NEW INFO FOR 2020** on this page, as well as reminders on the following page.

As always, give us a call or email us to make an appointment as soon as you think you will have all your documentation ready! (Please also note: if, due to COVID, you feel more comfortable staying home and discussing your tax returns via phone or email, we have no issue with that. We also support electronic signatures for e-file authorizations.)

NEW INFO FOR 2020

1. Even if you don't itemize, **you will be able to deduct up to $300 in charitable donations (cash only)** contributed by December 31st, 2020.
2. **Health Insurance is now required in the state of California, as of January 1st, 2020**. There will be a penalty for each month of no insurance. (Penalty for full year starts at $750.)
3. **If you received a Notice 1444** from the IRS re: your EIP stimulus payment, please provide to us.

CHECKLIST

- ☐ Signed copy of our **Engagement Letter** (included)
- ☐ **W-2 Form(s)** from your employer(s), if applicable
- ☐ **1099 Forms**
  - **1099-INT** or **-DIV** (interest / dividend income)
  - **1099-R** (retirement income, annuities, IRAs, etc.)
  - **1099-B** (stocks sold through brokerage)
  - **1099** for unemployment/family leave
  - **1099-SA** for healthcare distributions
- ☐ **1095-A**, **B**, or **C** (or other health insurance info)
- ☐ **1098** (mortgage interest form), if you can itemize
- ☐ Property Tax paid this year
- ☐ Charitable contributions
  - *Receipts are required for non-cash contributions, along with dates and descriptions of donated items*
- ☐ Business Income and Expenses, including:
  - **1099-MISC** (or **NEC**)
  - **1099-K** if applicable
  - Business mileage and home office expenses
- ☐ Rental Income and Expenses, by property
- ☐ Real Estate bought or sold (with closing statement(s))
- ☐ **K-1 Forms** from Trusts, Partnerships, S-corps
  - *Please note: these forms often come in late and necessitate an extension*
- ☐ Estimated tax payments made throughout the year
- ☐ Copies of Social Security cards for any dependents, if these have not been previously provided.

Please collect all documents listed on the left in one of the following ways:

- **Physically:** collect in a folder, large envelope, or box to bring to us (while wearing your mask!) at 1230 E. Wardlow.
- **By e-mail:** if you are comfortable sending via email, we recommend collecting all scanned or downloaded files into one digital folder, so you can send all at once.
- **By ShareFile:** a more secure way to send files electronically, please let us know if you would prefer this and we can send you a link.
- **By mail:** please make **copies** of your files to send to us, and keep the originals safely in your records for at least 4 years.

If you have moved this year, please send an email to clients.hrc@gmail.com (or your preparer here) to let us know your new address, phone number, and/or email, if there are changes.

If your tax return is in the process of being prepared and you haven't heard from us, please call or email to inquire, or check to see if we have emailed you questions you may have missed.

REMINDERS

- **Earned Income Credit (EIC):** please be aware that requesting EIC or child tax credits will necessitate additional documentation for questions relating to dependents and small business income.
- **Extensions:** we would be happy to assist you with requesting an extension to file; if you have requested an extension of your own, *please let us know* so we don't start to fret!
    - If you will owe a balance, that balance will need to be paid along with the extension request, to avoid late payment penalties.
- **IRA Contributions:** the deadline is April 15th, 2021 to make contributions to an IRA for 2020. The maximum contribution is $6,000 (or $7,000 for those over 50).
- **IRA Distributions:** For those over 72, please be advised that the requirement to take a minimum distribution from your IRA will be waived for 2020, due to COVID. Therefore there will be no penalties this year.
- **Standard Deductions for 2020:** $12,400 (Single); $24,800 (Married Filing Jointly); and $18,650 (Head of Household)
- **Timely Filing:** We always strive to get everyone's returns done in time, but with increasing clientele, along with recent changes in corporate and partnership due dates, this is becoming more and more difficult. Therefore, if we receive your tax documents after April 1st, and you want the return done by the April 15th deadline, we will charge an additional fee of $50. Furthermore, we cannot guarantee at that point that returns will be done by the due date; in this case, we will file an extension for you (see Extensions, above).
- **Unemployment Compensation:** If you received unemployment compensation (due to COVID or other reason), *and* had an additional income source in 2020, please be advised that you may still owe taxes, even if you had withholding.
- **Virtual Currency:** Every client must inform us whether they purchased or traded in virtual currency (e.g. bitcoin) this year. *(Note: Roblox and V-bucks are not considered virtual currency.)*

FINAL NOTE

Please find our **Engagement Letter** enclosed. We ask that you please review this letter, sign it, and bring it with you to your tax appointment, or send a signed copy with your info when you mail or email it. It's somewhat of a formality, but we are trying to be a little more proactive in this area and we do appreciate your cooperation.

We always recommend making your tax appointment early – as soon as you have received all the necessary forms (see checklist on front page). This helps us to ensure more people are filed on time *and* helps you to not have to think about it as long (double-win)! Please call or email us to schedule ASAP.

We look forward to seeing those of you who will come in (please wear your masks!), and to hearing from those who cannot (or do not wish to) physically come into the office.

We wish you a holiday full of joy, and a 2021 that is healthy and happy.

Warmest wishes,

Heather, Melody, Mike, Tracy, Carrie,
(and Lauren too!)

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