

# Preparing for another taxing year

Last year about this time I wrote our end-of-year letter. I called it *The Good, The Bad and The Ugly*. I lamented how 2019 was the worst tax season any of us had ever experienced. I was optimistic that 2020 would be back to normal.

Boy, was I wrong!

But, then, you know that. So, let's move onto 2021, and the changes that will keep us all safe until this pestilence has passed.

## The Bad News

We anticipate another slow tax season because of all the additional items we will need to deal with – stimulus checks, PPP loans to businesses, required minimum distributions that were “paid back,” unemployment, etc. And Congress just passed a huge bill that will require our tax software to be re-programmed yet again and much research on our part.

So, let us review some tax items that might affect your taxes.

1. If you received a stimulus check(s), we need to know how much you received so we can determine if you should have gotten a bigger check. (If you got Notice 1444; please provide it.)
2. If you received unemployment, provide the 1099-G that you will receive. The 1099-G may also be available online. Yes, unemployment is taxable.
3. If you cannot itemize, you can deduct up to \$300 per tax return for charitable donations for this year only. The donation must be made by Dec. 31. You MUST have letters acknowledging your donations.

The following do NOT qualify for this one-time deduction:

- Cash donations (e.g., money you drop in the collection plate or the Salvation Army bucket)
  - Political contributions
  - Non-cash donations such as to Goodwill
4. Do not worry about the proposed Biden tax plans. When something – if ever – is written in stone, we will deal with it at that time.
  5. Some taxpayers have more-than-necessary taxes withheld from required minimum distributions to help cover taxes on other income. If that applies to you, and you waived your distribution this year, please review your other withholdings to make sure you paid in enough to avoid penalties. You have until Jan. 15 to make an estimated payment that may help avoid those penalties.

There are some changes for businesses as well.

1. We must know if you received the PPP loan or any other COVID relief.
2. Pass-through entities will need to consider the new SALT workaround.
3. Some employers (not sole proprietors) may want to make Section 139 Disaster Relief payments to cover additional expenses for their employees who had to work from home.

## Let's get together – NOT

Now let us talk about how COVID will affect our upcoming tax season. We all need to stay safe.

- **We will not have any face-to-face meetings** until we all feel safe to meet again. Please send in your documents and then schedule a phone call (410-884-0317) with us to discuss any issues. Better yet, we will set up a Zoom meeting to talk with you, either before or after your tax return is completed. You only need a cell phone or a tablet for a Zoom meeting.
- Nancy Jo has an online scheduler to make it easier for you to make an appointment for a phone call or Zoom meeting. Please call our office to schedule phone calls and Zoom appointments with Keith and the rest of the staff.

- We are upgrading our phone system so that we can transfer calls to Keith and Nancy Jo, who are both working from home. But please schedule your phone call. Because no one is in the office most days, it will likely be at least 24 hours before someone returns your call if you did not make an appointment.

*How do you get your documents to us? Here are some options:*

1. Use our *secure portal* to upload your documents – and download your completed tax return. It is safe, it's secure, and it's fast. You will always have a copy of the documents you upload as well as, your completed tax returns. You can also e-sign the documents we need to file your return.

To send documents through our portal, use a scanner, a phone app (I have heard good things about CamScanner for iPhones) or use your tablet to take *clear and readable pictures*. Use a scanning app that allows you to condense several pages of a document, such as brokerage statements, into one PDF. Many documents can be directly downloaded from a particular site, such as your broker, and just uploaded to us without printing.

*We will have short videos online to walk you through using the portal.*

2. Drop off your documents at our office. There is a sign posted on the door with instructions. We have a box set up just inside the door. Please call first to make sure someone will be here. A quick, hi, how are you, drop and go.

3. Mail your documents? We recommend certified mail for sensitive documents, so you can track them.

- If possible, send us photocopies, not your originals, so we do not need to mail them back.

4. **DO NOT send any sensitive documents via email. Never.**

*We are making more changes, many overdue. We have studied how other tax/accounting firms operate.*

1. We now require payment **before** we release a copy of your tax return to you. You will still have time to review it, make any changes, etc., after you make your payment. If you use our secure portal, you will be able to pay there. Otherwise, mail a check to our office or call with a credit card number.

Why are we doing this? For 2019, we are still waiting to be paid – to the tune of \$18,000. For this year, clients still owe us \$7,000.

If you received an invoice, and think you paid, give us a call so we can correct our records.

2. Please provide all your documents at one time. We work on returns as they come in, so the sooner the better. We process over 1,000 returns each year and we work 12-14 hours a day to get them finished as quickly as we can.

- Our que starts filling up in early March. March 19 is the deadline for getting all your documents (except for brokerage statements and K-1s, which are always, always-late) in if we are to have a chance of getting your return finished by April 15.

- **Please note:** If your documents come in **before** March 19, and for some reason you must go on extension, we will *most definitely try* to get estimates of your tax liability to you before April 15.

- Any returns **after** March 19, *will be put* on extension. While we *try to give you an estimate* of what you might owe, we cannot guarantee it. Preparing extensions is very inefficient and takes time. And if we are working on extensions, we are not working on tax returns.

**The moral of the story: Get us your documents as soon as possible.**

3. We are working on fillable forms to make it easier for you to complete our engagement letter (required before we start on your return), and questionnaire (we've tried to shorten it this year!). Links will be on our website, [www.jkassociatetax.com](http://www.jkassociatetax.com), and we will put a link on our secure portal. We are still working on the technology but If all goes well, no more printing, uploading, mailing questionnaires, etc.

4. We plan to start sending print organizers by mid-January. If you want Keith's organizer by mail, please email Judy at [judy@jkassociatetax.com](mailto:judy@jkassociatetax.com) or call 410-884-0317. (But...we prefer that you use JK's questionnaires, which are shorter—and we will be glad to send you specific forms, such as Schedule C, so you can see last year's entries.)

5. We are working on "bundle" pricing for our clients who need help throughout the year – calculating withholding, dealing with audits, or just monitoring your account to be a step-ahead of the IRS if you think you might be audited. More details (hopefully) will be coming.

We hope to have all the fillable forms on our website by mid-January. Paper versions will also be there.

### **Stay in touch**

The best way to contact our office is to email our gatekeepers Cheryl ([cheryl@jkassociatetax.com](mailto:cheryl@jkassociatetax.com)) and Judy ([judy@jkassociatetax.com](mailto:judy@jkassociatetax.com)). Or, call our office and leave a message at 410-884-0317. We will try to return calls within 24 hours.

Even with all the challenges, we are looking forward to working with you again. We will make this work!

Stay positive. Test negative.

Everyone at JK Associates wishes you Happy Holidays.

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