



HUTCHINSON, GILLAHAN & FREEH, P.C.  
ACCOUNTANTS, AUDITORS & CONSULTANTS

December 2020

Dear Clients,

Welcome to tax season 2020! Hopefully, there will be a COVID-19 vaccine available soon that will help to diminish the effects of the pandemic in 2021. We urge you to gather your tax information as early as possible to avoid the rush.

In an effort to help you prepare for tax season we would like to highlight the following:

- The standard deductions for 2020 are: Married filing joint \$24,800 (65 or older add \$1,300/per person), Single \$12,400 (65 or older \$1,650). Check your amounts before you go to the trouble of providing us with more information than we may need.
- We have a secure client portal on our website. If you have electronic files that you would like to provide to assist us in preparing your taxes, you can send them to us in a secure environment. Just let your preparer know and we can set up a portal for you to use.
- With the rise in identity theft issues, some taxpayers may have been issued an “IP PIN” from the IRS. If you have been assigned an IP PIN, you must provide this number to us. **The IRS will reject any return for a taxpayer that was assigned an IP PIN if that number is not reported on their return.**
- **1099 forms must be filed by any business, rental property owner or non-profit organization who pays \$600 or more** to an unincorporated business for services during the year. **These forms must be filed no later than January 31<sup>st</sup>.** If you need assistance filing these forms or have any questions, please call us as soon as possible so we can help you to be in compliance with the filing requirements.
- If you have a partnership, corporation or LLC that files as a partnership or corporation make sure you know the due date of your return. Calendar year Partnership and “S” Corporation tax returns are due by **March 15<sup>th</sup>** so be sure to get your tax information to us no later than February 15<sup>th</sup> if you wish to file a return by the due date. Information received after March 1<sup>st</sup> will most likely require an extension request to be filed.
- If you qualify for a tax refund and want to receive it as soon as possible, please be sure to have your tax information to us by the first week of February. The IRS begins to issue refunds starting February 15<sup>th</sup> each year. You can also provide us with your direct deposit information because your refund will arrive sooner by direct deposit versus a paper check.
- If you purchased your health insurance through the Health Insurance Marketplace or your employer and received a subsidy you will receive a 1095-A/B form. **We must have this form to properly prepare your tax return.** Failure to report this information correctly will result in a notice from the IRS that can be avoided.
- If you have any foreign bank accounts, are the beneficiary of a foreign trust or own a material amount of foreign investments be sure to let us know. **There are significant and serious penalties for not properly reporting certain foreign holdings and transactions.**

Once you have gathered all your tax records, please drop off your information at our office at your convenience. In an effort to limit contact during the pandemic, please feel free to use the drop box on the front porch. We are limiting individual appointments, however, if you have any special tax situations that require more than a phone call to communicate, please call our office to schedule an appointment (masks are required). Keep in mind tax consultations add more time to your tax return preparation and can result in additional fees. If you bring your tax information to us after April 1, 2021, (March 1, 2021 for S Corporations and Partnerships) we will most likely have to file an extension request.

We look forward to providing tax services to you and we want to make sure you are aware that we also offer many other tax and accounting services, such as estate and retirement tax return preparation and planning, auditing and other financial statement and attest services, bookkeeping, consulting and other accounting services. Please feel free to call us for any accounting needs you may have.

Sincerely,

*Hutchinson, Gillahan & Freeh, P.C.*



## 2020 Year End Tax Guide

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## 2020 ENGAGEMENT AGREEMENT

**We apologize for the length of the engagement agreement Accounting Standards require that we communicate certain information to you. If you have any questions, please feel free to contact us.**

Dear HG&F Client:

This letter is to confirm our understanding of the terms and objectives of our engagement with you for the year ended December 31, 2020 and to clarify the nature and limitations of the tax services we will provide. The engagement between you and our firm will be governed by the terms of this agreement.

We will prepare your federal, state and local (if applicable) individual income tax returns for calendar year 2020. We are not responsible for returns not listed previously. We are under no duty to review the information you provide to determine whether you may have a filing obligation with another state. If we become aware of any other filing requirement, we will tell you of the obligation and may prepare the appropriate returns at your request as a separate engagement.

This engagement letter does not cover the preparation of any financial statements, which, if we are to provide, will be covered under a separate engagement letter.

We are not investment counselors or brokers. Our advice concerning a particular investment shall be limited to advising you with regard to the tax ramifications of the investment. It shall not include advising you regarding the economic viability or consequences of the investment or whether or not you should make the investment. Our advice regarding the tax ramifications of the investment shall be based on documents and information that you provide us regarding the investment.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You should retain all the documents, canceled checks, and other data that form the basis of income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.

We may provide you with a questionnaire or other document requesting specific information. Completing those forms will assist us in making sure you are well served for a reasonable fee. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns. We will not verify the information you give us; however, we may ask for additional clarification of some information.

Please note that any person or entity subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having a value exceeding \$10,000 in a foreign country shall report such a relationship. Although there are some limited exceptions, filing requirements also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts even if the taxpayer does not have foreign account(s). For example, a corporate-owned foreign account would require filings by the corporation and by the individual corporate officers with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.

In addition, the Internal Revenue Service also requires information reporting under applicable Internal Revenue Code sections and related regulations, and the respective IRS tax forms are due when your income tax return is due, including extensions. The IRS reporting requirements are in addition to the U.S. Department of the Treasury reporting requirements stated above. Therefore, if you fall into one of the categories below, or if you have any direct or indirect foreign interests, you may be required to file applicable IRS forms.

- You are an individual or entity with ownership of foreign financial assets and meet the specified criteria (Form 8938) and/or FinCEN Form 114
- You are an officer, director, or shareholder with respect to certain foreign corporations (Form 5471)
- You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472)
- You are a U.S. transferor of property to a foreign corporation (Form 926)
- You are a U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A)
- You are a U.S. person with interests in a foreign partnership (Form 8865)
- Other items as necessary

You should also know that IRS audit procedures will almost always include questions on bartering transactions and on deductions that require strict documentation such as travel and meal expenses and expenses for business usage of autos and computers. In preparing your returns, we rely on your representations that we have been informed of all bartering transactions and that you understand and have complied with the documentation requirements for your expenses and deductions. If you have questions about these issues, please contact us.

If, during our work, we discover information that affects prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us to discuss the best resolution of the issue. We will be happy to prepare appropriate amended returns as a separate engagement.

Our work in connection with the preparation of the tax return(s) does not include any procedures designed to discover defalcations or other irregularities, should any exist. The returns will be prepared solely from information provided to us without verification by us.

In accordance with federal law, in no case will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of a second opinion, or to any other third party for any purpose other than to prepare your return without first receiving your consent.

The Internal Revenue Code and regulations impose preparation and disclosure standards with non-compliance penalties on both the preparer of a tax return and on the taxpayer. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the tax return concerning positions taken on the return that don't meet these standards. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties and any recommended disclosures with you before completing the preparation of the return. If we concluded that we are obligated to disclose a position and you refuse to permit the disclosure, we reserve the right to withdraw from the engagement and you agree to compensate us for our services to the date of withdrawal. Our engagement with you will terminate upon our withdrawal.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the return's due date. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

It is our policy to keep records related to this engagement for 5 years. However, we do not keep any of your original records, so we will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies.

By signing this engagement letter, you acknowledge and agree that upon the expiration of the 5-year period, we are free to destroy our records related to this engagement.

Pursuant to Circular 230, we are required to advise you that any federal tax advice contained herein or in any communication resulting from this engagement is not intended or written to be used, and cannot be used, by the addressee or any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or for promoting, marketing, or recommending to another party any plan or arrangement addressed in the communication.

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide that it is appropriate for us to disclose any potentially privileged communication, you agree to provide us with written, advance authority to make that disclosure.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside adviser's costs, or penalties or fines imposed as a result of your asserting the privilege or your direction to us to assert the privilege.

The return(s) may be selected for review by the taxing authorities. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent you. However, such additional services are not included in the fees for the preparation of the tax return(s).

Our fees for tax services will be based in part upon the amount of time required at our standard billing rates for the personnel working on the engagement, plus out-of-pocket expenses. All invoices are due and payable upon presentation. Amounts not paid within 30 days from the invoice date will be subject to a late payment charge of 1.5% per month (18% per year).

In the event of a dispute related in any way to our services (other than our efforts to collect a past due invoice), our firm and you agree to discuss the dispute and, if necessary, to promptly mediate in a good faith effort to resolve. We will agree on a mediator, but if we cannot, either of us may apply to a court having personal jurisdiction over the parties for appointment of a mediator. We will share the mediator's fees and expenses equally, but otherwise will bear our own attorneys' fees and mediation cost. Participation in such mediation shall be a condition to either of us initiating litigation. In order to allow time for the mediation, any applicable statute of limitations shall be tolled for a period not to exceed 120 days from the date either of us first requests in writing to mediate the dispute. The mediation shall be confidential in all respects, as allowed or required by law, except our final settlement positions at mediation shall be admissible in litigation solely to determine the prevailing party's identity for purposes of the award of attorneys' fees.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

We have the right to withdraw from this engagement, in our discretion, if you don't provide us with any information we request in a timely manner, refuse to cooperate with our reasonable requests or misrepresent any facts. Our withdrawal will release us from any obligation to complete your return and will constitute completion of our engagement. You agree to compensate us for our time and out-of-pocket expenses through the date of our withdrawal.

If the foregoing correctly sets forth your understanding of our tax engagement, please sign this letter in the space below and return it to our office. If you disagree with any of these terms, please notify us immediately.

We want to express our appreciation for this opportunity to work with you.

Very truly yours,

*Hutchinson, Gillahan & Freeh, P.C.*

**AGREED TO AND ACCEPTED**

\_\_\_\_\_ **Date**

\_\_\_\_\_  
Taxpayer

\_\_\_\_\_  
Spouse

**PLEASE READ AND SIGN BEFORE FILLING OUT THE ORGANIZER.**

**NOTE: Delivery of your tax documentation to our office is conclusive that you have read and agree to the provisions of this agreement.**



## TAX PLANNING TIPS

1. When **selling securities**, consider when you'd rather pay capital gains taxes and time your sale accordingly (sale date in 2020 versus 2021) Under current law, the Trade Date is considered to be the date of sale.
2. **Social Security Numbers** are required for each of your dependents (age 1 and over). The IRS may deny exemptions and/or head of household status if social security numbers are not provided or do not match the names. Please double check your and your dependents' social security numbers.

**CAUTION: Make sure your dependents do not claim themselves if they file their own return. If this happens you will be denied potential tax benefits and will not be able to file electronically. This will require correction with the IRS and could add costs to your return preparation.**

3. Itemized deductions may allow for a greater deduction than the standard deduction, which is based on filing status, age, etc. However, **itemizing is beneficial only if the total is more than the standard deduction of \$12,400 per person**. You may consider timing your payments for itemized deductions in order to maximize your deduction for a given year. Some suggestions are:
  - a. Consider the timing of your state and local estimated tax payments. By making your January 2021 payment in December of 2020 you could increase your itemized deductions, however, there are limitations. You may want to call us to determine if this would be advantageous to you.
  - b. If you're planning to make charitable contributions, consider making them in 2020 as opposed to 2021 to increase your itemized deductions for 2020. Its tax wise to consider contributing appreciated assets. Call us for details.
  - c. Interest payments for your mortgage and investments may increase your itemized deductions (with certain limitations). Other personal interest is not deductible, except student loan interest, which may be deductible in certain cases. Interest paid for business purposes remains deductible as a business expense.
  - d. **CASH BASIS** taxpayers planning to itemize should pay as many deductible bills as possible before 12-31-20 to maximize their itemized deductions for 2020. **ALTERNATIVE** – Hold this year's payments and double-up next year, if you're on the edge of being able to itemize.
4. **IRA's:** may be opened after year-end and contributions must be made by 4-15-21 to be deductible for 2020. Deductibility of IRA payments may be limited by your total income and marital status.
5. **SEP:** plans may be established, and payments are deductible if completed prior to the due date of the return **including extensions**.



## 2020 INCOME TAX ORGANIZER AND TAX GUIDE



This booklet is to assist you in compiling all of the necessary information to help us prepare your tax return accurately.

If you decide not to fill out this booklet, it is important that you still fill out page four (4) to keep our records up to date.

### **PLEASE ATTACH:**

- All W-2 Statements.
- All 1099's
  - 1099-DIV (Dividends)
  - 1099-INT (Interest)
  - 1099-B (Brokers)
  - 1099-R (Retirement)
  - 1099-M (Miscellaneous Income)
  - 1099-NEC (Non-Employee Compensation)
- All Tax Forms you receive
- All Forms 1095 and/or 1099-H for Health Insurance Coverage.

**TAX DOCUMENTS DELIVERED TO US LESS THAN 15 DAYS BEFORE THE APPLICABLE TAX RETURN DUE DATE; MAY REQUIRE EXTENSIONS.**



Please answer all questions on this page.

If we prepared your prior return and the information is unchanged write "SAME".

**Name and Basic Tax Information:**

Taxpayer's Name: \_\_\_\_\_

Occupation: \_\_\_\_\_ Date of Birth \_\_\_\_\_

Contact # \_\_\_\_\_ Social Security # \_\_\_\_\_

Email: \_\_\_\_\_

Spouse's Name: \_\_\_\_\_

Occupation: \_\_\_\_\_ Date of Birth \_\_\_\_\_

Contact # \_\_\_\_\_ Social Security # \_\_\_\_\_

Email: \_\_\_\_\_

Address: (New?) Yes  No

Street: \_\_\_\_\_

City, State & Zip \_\_\_\_\_

School District \_\_\_\_\_

Did your marital status change during the year? Yes  No

Do you want \$3.00 of your taxes to go to the Presidential Election Campaign? Yes  No

**IF YOU WANT DIRECT DEPOSIT PLEASE PROVIDE YOUR BANK ACCOUNT INFORMATION.**

Bank \_\_\_\_\_ Checking  Savings

Routing # \_\_\_\_\_ Account # \_\_\_\_\_

**TO MEET IDENTITY THEFT AUTHENTICATION REQUIREMENTS, PLEASE PROVIDE YOUR DRIVER'S LICENSE INFORMATION.**

Taxpayer	Spouse
Driver's License # _____	Driver's License # _____
Issue Date: _____	Issue Date: _____
Expiration Date: _____	Expiration Date: _____
State of Issuance: _____	State of Issuance: _____

**INCOME**

Taxpayer

Spouse

How many **W-2 Forms** do you have? \_\_\_\_\_

How many **1099-R (Retirement) Forms** do you have? \_\_\_\_\_

Were any of these distributions rolled over?                      Yes                       No

**INTEREST INCOME**

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

**NOTE: Please provide all ORIGINAL 1099-INT'S.**

**INTEREST**

	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$

**Note:** Please be sure to include non-taxable interest income and mark it as such. this must be reported on your return.

**DIVIDEND INCOME**

	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$

**NOTE:** Please provide all ORIGINAL 1099-INT'S and 1099-DIV's.

**MISCELLANEOUS INCOME**

State and Local Income Tax Refunds	\$ _____
Farm*	\$ _____
Rental* (Include days rented and days used personally)	\$ _____
Sole Proprietor*	\$ _____
Partnerships**	\$ _____
Small Business Corporations ("S" Corp.)**	\$ _____
Estate/Trusts**	\$ _____
Unemployment Compensation*	\$ _____
Social Security Benefits*	\$ _____
Jury Duty (Other Public Service)	\$ _____
Tips/Gratuities (Not Reported)	\$ _____
Prizes/Awards/Contest Winnings	\$ _____
Commissions/Bonuses (Not Reported)	\$ _____
Disability Pay	\$ _____
Retirement Income*	\$ _____
Gambling (Attach W-2G's/Lottery Winnings (\$ _____ 2020 Losses)	\$ _____

**\*Please provide ALL INCOME /EXPENSE SCHEDULE(s) and/or 1099-MISC's or 1099-NEC's**

**\*\* Please provide ALL K-1's.**

**NON-TAXABLE INCOME**

Child Support or Assistance	\$ _____
Veterans Benefits	\$ _____
Workmen's Compensation	\$ _____

**CAPITAL GAINS AND LOSSES**

**Sales of Property / Real Estate / Stocks / Bonds, Etc.**

Name of Company/Shares	Date Acquired	Date Sold	Sales Price	Cost	Profit/Loss
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

**PURCHASE OR SALE OF PERSONAL RESIDENCE**

Did you use the residence exclusively as a residence in 2 out of the 5 years preceding the date of sale? Yes  No

Date Old Residence Acquired \_\_\_\_\_

Original Cost \$ \_\_\_\_\_

Improvements \$ \_\_\_\_\_

Fixing Up / Repair Expenses \$ \_\_\_\_\_

Date When Old Residence Sold \_\_\_\_\_

Expenses of Sale \$ \_\_\_\_\_

**\*NOTE: Please provide settlement sheets from PURCHASE AND SALE of property sold.**

**NOTE: WITH THE NEW STANDARD DEDUCTION, ITEMIZING YOUR DEDUCTIONS MAYBE A WASTE OF YOUR TIME. PLEASE VERIFY.**

**MEDICAL INSURANCE – PAID DIRECTLY BY YOU**

	<u>Taxpayer</u>	<u>Spouse</u>
Blue Cross / Blue Shield / Major Medical	\$ _____	\$ _____
Long-Term Care	\$ _____	\$ _____
Other Health Care Insurance	\$ _____	\$ _____

**NOTE: IF YOU PURCHASED YOUR HEALTH INSURANCE THROUGH THE EXCHANGE AT A DISCOUNTED RATE WE MUST HAVE YOUR 1095 AND/OR 1099H FORM.**

**ITEMIZED DEDUCTIONS - MEDICAL**

**NOTE: IF YOUR MEDICAL EXPENSES DO NOT EXCEED 7.5% OF YOUR INCOME YOU WILL NOT BE ABLE TO ITEMIZE YOUR MEDICAL EXPENSES AND YOU DO NOT NEED TO COMPLETE THE REMAINDER OF THIS PAGE. IF YOU HAVE ANY QUESTIONS PLEASE CALL OUR OFFICE TO SPEAK WITH ONE OF OUR TAX PREPARERS.**

	<u>Taxpayer</u>	<u>Spouse</u>
Prescriptions	\$ _____	\$ _____
	\$ _____	\$ _____
	\$ _____	\$ _____

**MEDICAL COSTS PAID TO DOCTORS OR OTHER PROVIDERS**

List by Name

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

**MEDICAL TRANSPORTATION, LODGINGS, ETC.**

**Lodging Expenses – Travel for Medical:**

Treatment (up to \$50.00 per night away from home)	\$ _____
Transportation (number of miles) (17¢/mile)	\$ _____
Parking and Tolls	\$ _____
Reimbursements made directly to you by Medicare or other insurance plans.	\$ _____

**TAXES**

Real Estate (Home)	\$ _____
Real Estate (Other)	\$ _____
Property Tax Rebates	\$ _____
Occupation Privilege / Local Services Tax	\$ _____

**OTHER STATE OR LOCAL TAXES PAID**

**List in Detail**

	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____

**NOTE: Per Capita Taxes, Auto Tags, Driver’s Licenses and Gasoline Taxes are NOT deductible as personal expenses.**

**The deduction for State and Local Taxes as part of your itemized deductions is limited to \$10,000 in 2020. (\$5,000 if married filing separately)**

**ITEMIZED DEDUCTIONS (CONT.)**

**Interest Paid\***

Home Mortgage-Financial Institution	\$ _____
Home Equity Loan	\$ _____
Home Mortgage-Paid to an Individual*	\$ _____
Investment Interest	\$ _____

**\* List Name, Address and SSN# of Individual Holding Mortgage**

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**NOTE: If you paid interest on home equity loan(s), please provide the following:**

	<u>Home Interest</u>	<u>Amount</u>
Cost of Home		\$ _____
Improvements to Home		\$ _____
Fair Market Value of Home		\$ _____
For each home equity loan please provide:		
Date of Loan		_____
Amount Borrowed		\$ _____
Amount of the loan Proceeds used to purchase or improve your home.		\$ _____
Amount of the loan proceeds used to pay-off previous acquisition debt.		\$ _____

**NOTE: CREDIT CARD AND OTHER PERSONAL INTEREST IS NOT DEDUCTIBLE.**

**NEWLY ACQUIRED HOME EQUITY LOAN INTEREST IS ONLY POTENTIALLY DEDUCTIBLE IF THE FUNDS ARE USED TO ACQUIRE OR IMPROVE YOUR HOME.**



**ITEMIZED DEDUCTIONS (CONT.)**

receipt or bank record regardless of amount.

<u>Organization</u>	<u>Amount</u>
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

**2. Non-Cash Contributions (Must be in “GOOD” or better condition)**

<u>Organization &amp; Address</u>	<u>Date</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

**Charity Travel Miles (14¢ per mile)**

\$ \_\_\_\_\_

**NOTE: If you contributed appreciated property valued at \$5,000 or more (other than marketable securities) you must have an appraisal.**

**RETIREMENT PLANS**

Do you or your spouse have an **IRA**? Yes  No

If so, list the amount you have contributed or intend to contribute for this year.

**IRA payments made -**

	Amount Contributed		Date Paid
	Type**	Taxpayer	
2020 for 2020		\$	\$
2021 for 2020		\$	\$

**\*\* T = Traditional or R = Roth  
Include Form 5498**

Are you or your spouse covered by a pension plan? Yes  No

If either spouse is an active participant under a Pension Plan, you may not be entitled to a regular **IRA DEDUCTION** – you may want to consider a **ROTH IRA. (Check with your preparer to see if you qualify)**

**AUTOMOBILES USED IN BUSINESS**

	Total Miles	Business Miles	Commuting Miles	Personal Miles
Jan-Dec (57.5¢/mi)				

Beg. Yr. Odometer \_\_\_\_\_ End Yr. Odometer \_\_\_\_\_

Do you have written evidence to support your vehicle mileage? Yes  No

Do you have another vehicle for personal purposes? Yes  No

**If your employer provided you with a vehicle, is Personal use during off duty hours permitted?** Yes  No

**NOTE: For 2020 the standard mileage rate for business use is \$.575 per mile.**

**UNREIMBURSED EMPLOYEE BUSINESS EXPENSES**  
**Deductible Only for PA and PA Local Or Other States – Where Applicable**

Union Dues	\$ _____
Professional Dues	\$ _____
Business Publications	\$ _____
Small Tools and Safety Equipment	\$ _____
Educational Expense	\$ _____

**NOTE:** To qualify for the PA and PA Local tax deduction the expenses must be required by the employer as a condition of your employment.

**ADJUSTMENTS TO INCOME**

Alimony Paid (Only for Divorces executed prior to 2019)	\$ _____
Recipient's Last Name: _____	Recipient's SSN# _____
HSA/MSA Contribution	\$ _____

**Education:** (Attach 1098-T and/or Receipts for Payments made)

	Beneficiary or Student	Institution	Amt. Paid
529 Contribution	_____	_____	\$ _____
Tuition Paid	_____	_____	\$ _____
Student Loan Interest	_____	_____	\$ _____

**SPECIAL DEDUCTIONS – CHILD AND DEPENDENT CARE**

Dependent	DOB	Relationship
A. _____	_____	_____
B. _____	_____	_____
C. _____	_____	_____

To Whom Paid	Taxpayer ID	Amount Paid
A. _____	_____	\$ _____
B. _____	_____	\$ _____
C. _____	_____	\$ _____

**REFUNDS RECEIVED LAST YEAR**

Federal	\$ _____
State	\$ _____
Local	\$ _____
<b>Carryover from 2019**</b>	
Federal	\$ _____
State	\$ _____
Local	\$ _____

**\*\*NOTE: If Last year's tax return showed that your overpayment was to be credited and instead it was refunded to you, please let us know as this will change your current year tax return.**

Please fill in your payments even though we provide you with the recommended estimated tax payment – we have no way of knowing if the payments were made as recommended.

**ESTIMATED TAX PAYMENTS**

Due	Date Paid	Check #	Federal	State	Local (T)	Local (S)
Payment 1 (4-15)	_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
Payment 2 (6-15)	_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
Payment 3 (9-15)	_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
Payment 4 (1-15)	_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
<b>TOTAL</b>			\$ _____	\$ _____	\$ _____	\$ _____

**IMPORTANT**

If you receive any notices from any taxing authorities, please forward them to our office for review before making any payments.

Also, if you find that you are not going to make an estimated payment or cannot make a payment, please notify us immediately so we can keep your records up to date to process your taxes for next year.

**Your cooperation is greatly appreciated.**

**Other Questions or Comments:**

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**INCOME**

1. Be sure you have your **W-2's** and **1099's** (forms showing amounts paid to you).
2. Gather all records of **any money received** in **2020** from the sale of stocks, bonds, or real estate. Provide **ORIGINAL 1099-B or 1099-S** forms from Brokers – we will return the documents to you.
3. **Social Security** and **Tax Exempt Income** has to be considered, so please provide these forms as well.
4. Any other money, goods or services you received without charge from any source may have a bearing on your income tax returns, so please make note of all such amounts.

**DEDUCTIONS AND EXEMPTIONS**

Year	Standard Deductions				
	Single	Married Joint	Married Separate	Head of Household	Surviving Spouse
2020	\$ 12,400 *(+1,650)	\$ 24,800 *(+1,300)	\$ 12,400 *(+1,300)	\$ 18,650 *(+1,650)	\$ 24,800 *(+1,300)

\*Per person – add for Blindness or 65 and older.

If you can itemize more than the standard deduction amounts you will need to gather the totals listed in A through G below. Standard deductions for persons eligible to be claimed as a dependent by someone else are limited to the **greater of \$1,100 or \$350** plus their earned income (up to their standard deduction).

**A. MEDICAL**

1. You must absorb up to **10%** of your total income in medical expenses before the excess medical expenses are deductible.
2. List your costs including any **amounts paid to doctors, dentists, hospitals, and nursing homes, etc. and health insurance** (including **Long-Term Care insurance** within limits (keep separate).
3. List your cost of **Prescription** medicines and drugs.
4. List amounts paid for **medical items** such as glasses, hearing aids or other expenditures for medical reasons.
5. **Transportation** – miles traveled to and from doctors, hospitals, etc. are deductible at 17¢ per mile. Actual costs of other medical travel may also be deductible.

**B. INTEREST COSTS**

1. **Mortgage** – We need the Form(s) 1098 provided by your lender(s) for your regular mortgage and/or home equity loan(s). (Subject to limitations)
2. **Investment Interest** – Interest paid on loans used for investment. (Subject to limits).
3. **Student Loan Interest** – (Subject to phase-out based on income).

**C. TAXES (State and local taxes are limited to \$10,000)**

1. Amounts paid for **Real Estate taxes**.
2. Other Taxes – **Occupation, Personal Property**, etc.
3. State and Local Income **Taxes**.

**D. CASUALTY LOSSES (Only deductible for federally declared disaster areas)**

Only the excess over 10% of your Adjusted Gross Income (AGI) plus \$100 is deductible.

A casualty may result in a gain depending on insurance payments received. Provide all details.

**E. CONTRIBUTIONS**

Prepare a list of everything you contributed to charity. Remember, the more receipts you have the more solid your deduction, if you are audited by the **IRS**. Don't forget mileage for charity work at 14¢ per mile, and expenses you incurred in doing charity work. Penalties apply for greatly overvaluing items contributed to charity so make sure your values are realistic if you gave items other than cash. Valuations of \$5,000 or more for non-cash donations must have a bonafide appraisal attached to the return. Valuations of \$500 or more for non-cash donations must be itemized in detail.

**SPECIAL NOTE:** Contributions of \$250 or more **MUST BE** documented with a receipt from the charity.

**ALL** contributions now require a receipt or bank record – even cash donations. Clothing must be in good condition.

**B. SPECIAL DEDUCTIONS AND CREDITS**

- Adoption Expenses
- Child Care Costs
- Disability Income Credit
- Disabled Access Credit
- Educational Expenses
- Health or Medical Savings Account
- Qualified Business Income Deduction
- Retirement Acct. (IRA, Keogh or SEP)
- Sale of Personal Residence
- Student Loan Interest

**F. DOMESTIC WORKERS**

The Social Security Domestic Employment Reform Act of 1994 requires that you compute and pay Social Security taxes on wages paid to any domestic employee who is paid \$2,200 or more during the year. Unemployment taxes apply if you paid \$1,000 or more in any quarter.

**If you think any of these areas involve you, give us a call so we can check. Complicated conditions frequently apply and often change.**

**GENERAL INFORMATION NEEDED**

- A. **Estimated Tax Payments** – We need to know the dates and amounts paid **toward** 2019 Federal, State and Local Income Tax Liabilities. (Other than withholding.)
- B. If you had any **Stock or Real Estate Transactions**, we'll need to know purchase dates and costs as well as sale dates and proceeds. We need settlement sheets for real estate, and broker statements for stocks. Brokers report stock sales to the IRS and to you with a 1099-B and Real Estate Sales with a 1099-S. We will need copies of those forms. We also need the gain/loss statements from brokers.
- C. If you have a **Rental Property** we'll need to know the total rent received and totals of all expenses during the year, summarized by type of expense. In addition, if you use your rental property personally during the year, we need to know the number of days of personal use.
- D. In order to take advantage of the **IRA deduction** you must make your payment on or before **April 15, 2021**. **Taxable** Alimony received may be considered when determining the IRA contribution you may make for the year. Check with us on limitations on deductibility if you or your spouse is covered by a pension plan. We need to know amounts paid. SEP-IRA's must be funded by the due date of the return.
- E. Please note: If you have a dependent who is at least 1 year old you **must provide a social security number (TIN)** for that person on your return. If you have a dependent who does not have a social security number contact the nearest social security office and obtain one before filing your 2019 return. Lack of the correct TIN may result in loss of credits and/or favorable filing status.

Obviously, there are many other possibilities for deductions, which we will go over with you when we gather the information for your return. In the meantime, if you believe you have a deduction but aren't sure, please call and we'll let you know if you do and what records you'll need to substantiate it.

## PERSONAL QUESTIONNAIRE

**NAME:** \_\_\_\_\_

PLEASE: Take the time to answer the following questions **BEFORE** dropping off your tax information. The questionnaire is not only intended to save time but more importantly, to ensure that important information is not overlooked while preparing your tax returns. If you need help with any of the questions, put a “?” to the left of the question(s) and we’ll discuss it.

**GENERAL QUESTIONS****Yes No (Check the Box either Yes or No)**

1. Did you change your address or move during the year?
2. Did you or your spouse change jobs or employers?
3. Do you want \$3.00 of your tax to go to the Presidential Election Campaign?
4. Did your marital status change?
5. Can someone else claim you as a dependent?
6. Are you or your spouse age 65 or over, and/or blind?
7. List the names and social security numbers of any new dependents:  
 \_\_\_\_\_  
 \_\_\_\_\_
8. Are any of your dependents **NOT** citizens or residents of the U.S.?
9. Did your children under age 18 have income of more than **\$1,050**?
10. Did you give anyone anything valued at more than **\$15,000** during the year?
11. Were you notified by the IRS or other taxing agencies because changes are being made to prior year tax return(s)?
12. Did you make any estimated tax payments during the year? **(provide details (i.e., dates and amounts))**
13. Did you engage in any barter transactions during the year?

**QUESTIONS RELATING TO TYPES OF INCOME**

14. Did you receive any payment(s) from a **Pension**, IRA or Profit-Sharing Plan? **(provide 1099-R's)**
15. Did you or your spouse receive any **disability** payments this year? **(provide 1099's)**
17. Did you “roll over” any **IRA** or **Pension** funds this year? **(provide 1099-R's)**
17. Did you receive any **rent** or royalty income?
18. Did you have income or expenses from any business activity? **See “Business Questionnaire”**
19. Are you a partner in a partnership or do you own stock in a Sub-S Corporation? **See “Business Questionnaire”**
20. Did you have any investments for which you were not personally “At Risk?” **See “Business Questionnaire”**
21. Did you have any income or expenses associated with farming?
22. Did you receive any unemployment income?
23. Did you receive any tips not reported to your employer? **(provide amounts)**
24. Did you receive any income from interest or dividends? **(provide 1099's)**
25. Did you receive any “Tax-Free” or “Tax-Exempt” income?
26. Did anyone forgive any amount of money you borrowed?
27. Did you loan any money to another person?
28. Did you trade any investment property for similar property?
29. Did you receive income from any unusual sources **(lottery, gambling, etc.)?**
30. Did you pay or receive any alimony? **(provide amounts)**
31. Did you sell any stocks or bonds, or engage in any transactions involving traded options? **(provide 1099-B's)**
32. If you sold stock or securities, on which you claimed a loss, did you buy stock or securities (which were substantially identical to the stock or securities you sold) within a 60 day period, beginning 30 days prior to, and ending 30 days after the date of sale?



- 33. Did you receive a refund of state, local income taxes or real estate taxes? **(provide 1099-G's)**
- 34. Did you receive any income from the Social Security Administration? **(provide 1099-SSA)**
- 35. If you're age 65 or older or disabled did you or your spouse receive less than \$5,000 from Social Security?
- 36. Did you receive any **incentive stock options** from your employer? (provide details)
- 36a. At any time during the tax year, did you or your spouse have an interest in, or control over, **a foreign financial acct.?**
- 36b. If YES, did the account(s) have a grand total value of \$10,000 or more at any time during the year?
- 37. Were you or your spouse the grantor of, or transferor to, a **foreign trust** which existed during the current tax year, regardless of whether or not you or your spouse had any beneficial interest in it?
- 38. Did you contribute to an IRA, SEP or KEOGH plan – or do you plan to?
- 39. Did you incur any early withdrawal penalties in your savings account(s) or CD's?
- 40. Did you pay anyone to **care for your children or dependents**, so you could work?
- 41. Did your employer pay any part of your child care expenses?
- 42. Did you purchase gasoline, lubricating oil, or special fuels for non-highway use in farm or construction vehicles, or airplanes during the year?
- 43. Did you pay any adoption costs?
- 44. Did you pay any educational expenses? **(provide 1098-T)**
- 45. Did you make any changes to make your business accessible to handicapped persons?
- 46. Did you pay any \$2,200 or more for **domestic service's** in or around your home? (i.e., Babysitting, Child Care, Lawn Care, Cleaning, etc.)
- 47. Did you contribute to a 529 (Qualified Tuition Program) for anyone in 2019?
- 48. Did you engage in a virtual currency transaction?
- 49. Do you participate in the Sharing Economy? (Uber, Air BNB, Lyft, etc.)

**QUESTIONS RELATING TO ITEMIZED DEDUCTIONS OR PA/LOCAL ALLOWABLE DEDUCTIONS**

- 50. Do you owe any money to anyone?
- 51. Do you provide your own medical insurance? **DIRECT Y / N :THROUGH EXCHANGE Y / N PROVIDE 1099-H**
- 51a. Did you contribute to either a Health (HSA) or Medical (MSA) Savings Account?
- 52. Did you pay for Long-Term care insurance?
- 53. Did you buy eyeglasses, dentures or other medical items this year?
- 54. Did you pay an "Occupation," "Occupation Privilege" or "Local Service" Tax?
- 55. Did you make interest payments on a mortgage or investment loan?
- 56. Did you contribute any money, goods or other assets to charity?
- 57. Did you pay any union dues?
- 58. Did you provide uniforms, safety clothing, or tools for your job?
- 59. Did you incur any expenses in collecting or recovering taxable income?
- 60. Did you incur any unreimbursed business expenses, which were required by your employment?
- 61. Did you pay for any employment-related education?
- 62. Did you incur any unreimbursed employee business expenses? If so, see **"Business Questionnaire."**

**USE TAX ALERT:**

- 63. Did you make any purchases which are subject to PA Sales Tax from vendors who did not charge tax (i.e., internet purchases)? If so, please provide your actual use tax liability. If we don't hear from you we will **ASSUME** you have paid all required sales tax.

The **IRS Code** requires that we advise you that you must meet the “Substantiation Requirements” for any deduction for:

1. Vehicle Use.
2. Traveling Expenses.
3. Gifts.
4. “Listed Property” (i.e., defined as – passenger auto, any property used as a means of transportation cell phones and any computer or peripheral equipment, as well.

“Substantiation” requires that you maintain “adequate records” which show **ALL** of the following:

1. The **AMOUNT** of the expense.
2. The **TIME** and **PLACE** of the travel or the date and description of the gift.
3. The business **PURPOSE** of the expense or other item, and...
4. The **BUSINESS RELATIONSHIP** of the taxpayer to any individual receiving a gift.

It is important that you have written records to substantiate these deductions. Documents such as a log of auto usage, diary, and receipt for expenditure (not a cancelled check alone) are usually considered “adequate records.”

To state the substantiation rules another way, if the taxpayer keeps a log in which he/she records adequate information and can support the log with record, he/she should meet the substantiation rules for such expenses.

### **PAYROLL AND SUBCONTRACT**

If you want us to prepare your **1099’s** or **W-2’s**, please call unless previous arrangements have been made. **WE DO CHARGE EXTRA FOR THESE SERVICES.** These forms must be filed by **January 31, 2020**, to avoid penalties.

**WARNING: 1099’s ARE REQUIRED** for any unincorporated entity to whom you paid **\$600 or more** for any service in the course of your trade or business or ownership of a rental property. **IRS** is cracking down on this requirement. **Copies must be filed with PA.**

### **1099 PENALTIES**

1. Failure to file - **\$50 per form up to 30 days; \$100 after 30 days to 8/1; \$260 after 8/1. (For Small Business – Larger penalties for businesses with gross receipts in excess of \$5 million)**

Intentional failure to file – greater of \$530 per return.

**NOTE: Forms with missing or incomplete information may also be subject to penalty.**

**BUSINESS INCOME AND EXPENSES** – Income and expenses may be reported on either the cash or accrual method, whichever was selected at the start of business.

#### **Cash Basis**

1. Income **RECEIVED** in **2020** is taxable in **2020**.
2. Expenses **PAID** in **2020** are deductible in **2020**.

#### **Accrual Basis**

1. Income **EARNED** in **2020** is taxable in **2020** – whether or not received.
2. Expenses **INCURRED** in **2020** are deductible in **2020** – whether or not paid.
3. We need your accounts receivable (amounts owed **TO** you) and accounts payable (amounts owed **BY** you) lists for both **12-31-19** and **12-31-20**. If we prepared your **2019** return, we have the **12-31-19** information.

Remember, in general, qualified **BUSINESS DEDUCTIONS** must be **ORDINARY, NECESSARY** and **REASONABLE** to avoid **IRS** disallowance.

The following tasks must be accomplished in order to properly prepare your returns:

1. Please **TOTAL ALL INCOME AND EXPENSE ITEMS** and summarize to obtain yearly totals for each item.
2. Make sure all of your purchases of **EQUIPMENT** having a useful life of more than one (1) year are listed in an equipment register or are shown separately under “**Miscellaneous**” with a description of what was purchased. Please provide copies of the purchase documents, if possible.
3. If you **SOLD OR TRADED ANY EQUIPMENT OR PROPERTY**, we’ll need the dates of sale and amounts received, as well as original purchase dates and costs. If **Real Estate-Settlement** sheets are required.

4. Remember, if you're claiming **TRAVEL or MEAL EXPENSES** you need very careful records documenting the “Who, What, When, Where and WHY” of each expense. Without these records, **IRS** may disallow the deduction under audit. Be sure to keep Business meal costs separate from other related costs like lodging and travel. Meals are only 50% deductible while other expenses are not so limited. **ASK ABOUT PER DIEM RATES.**
5. If you have a business loan(s) we'll need to know the amount(s) of interest paid.
6. **DON'T FORGET** – If your business requires an **INVENTORY** we must have an accurate cost value of your inventory at year-end. After counting and listing the inventory items, you must multiply the item quantities times their **COST** (or market value, if that's lower) and total all of the extended values. If you count items you haven't paid for, note them so we can make the necessary adjustments. If you've paid for items you haven't received we'll need to know that too.
7. If you have a **PAYROLL** and we are not handling it for you, you must total each item for the year, i.e., Gross pay and each deduction item for each employee for the year – making sure that the summary, of all employees' individual amounts, agrees with the amounts reported on your quarterly reports filed throughout the year. We need your file copies of all **QUARTERLY REPORTS** as well as all W-2's you issued.
8. If you used your **CAR OR TRUCK IN BUSINESS**, you may be better off taking a deduction for the business mileage at **57.5¢** per mile for all business miles. **REMEMBER** you must be able to document the miles claimed. Leased vehicles qualify for this simplified method.
9. The office-in-home deduction is alive and well and available to eligible businesses. There are some circumstances in which claiming the deduction could jeopardize your entitlement to the tax-free sale of your home. Ask us about the rules – they are complex.

**CAUTION:**

**Claiming the home office deduction for a portion of your electric will result in incurring PA use tax liability on the amount deducted.**

**2020 PAYROLL CHANGES**

**WITHHOLDING – FICA, MEDICARE AND SE (SELF EMPLOYMENT) TAXES**

Year	Tax	FICA & SE Taxable Wage Base	Employer Tax Rate	Employee Tax Rate	Maximum Employer Tax	Maximum Employee Tax	SE Tax Rate	SE Maximum Tax
2020	FICA	\$137,700.00	6.2%	6.2%	\$ 8,537.40	\$ 8,537.40	12.4%	\$ 17,074.80
	Medicare	Unlimited	1.45%	1.45%	Unlimited	Unlimited	2.9%	Unlimited
2021	FICA	\$142,800.00	6.2%	6.2%	\$ 8,853.60	\$ 8,853.60	12.4%	\$ 17,707.20
	Medicare	Unlimited	1.45%	1.45%	Unlimited	Unlimited	2.9%	Unlimited

UNEMPLOYMENT					PA STATE TAX
FEDERAL		STATE			
	Taxable Wage Base	Net Tax Rate	Taxable Wage Base (For Employer Tax)	Employee Withholding (On All Wages Paid)	Tax Rate
2020	\$ 7,000.00	0.6%	\$ 10,000.00	.0006 X Gross Pay	3.07%
2021	\$ 7,000.00	0.6%	\$ 10,000.00	.0006 X Gross Pay	3.07%
Includes ALL Tips, Sick Pay and Taxable Fringe Benefits					<b>Note: New W-4 forms are required to be filled out by ALL Employees each year.</b>

**BUSINESS QUESTIONNAIRE**

**NAME:** \_\_\_\_\_

PLEASE: Take the time to answer the following questions **BEFORE** dropping off your tax information. The questionnaire is not only intended to save time but more importantly, to ensure that important information is not overlooked while preparing your tax returns. If you need help with any of the questions, put a “?” to the left of the question(s) and we’ll discuss it.

**QUESTIONS FOR BUSINESS OWNERS AND LANDLORDS**

**Yes No (Check the Box either Yes or No)**

- 1. Did you buy, sell, exchange, or scrap any business property or equipment?
- 2. Do you have an area of your **home used Regularly and Exclusively** as your principal place of business?
- 3. The **IRS** allows a deduction for expenditures for travel away from home and certain business gifts **ONLY IF** substantiated by adequate records or sufficient substantiating evidence. Records must include: (1) Amount Spent; (2) Time and place of travel; (3) Date and description of Gift, and (4) Business purpose of the expenditure.
- 3a. Do you have these records?
- 3b. If so, are they written?
- 4. Did you make interest payments on a business loan?
- 5. If you provided your own medical insurance, were you eligible to participate in any subsidized health plan at any time during the year?
- 6. Did you pay any unincorporated entity (including LLC’s) **\$600** or more for services rendered to your business?
- 7. If so, did you issue **1099’s**?
- 8. Did you hire any veterans who may qualify for the **Work Opportunity Credit**?
- 9. Do you provide health insurance for your employees?
- 9a. If so, please provide details of your plan.
- 10. Did you engage in any barter exchanges during the year?