

January 2021 Newsletter

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Status	Standard Deduction		If 65 or Older or Blind (Each)	
Tax Year	2020	2021	2020	2021
Married Joint	\$24,800	\$25,100	+\$1,300	\$1,350
Single	12,400	12,550	+ 1,650	1,700
Head of HH	18,650	18,800	+ 1,650	1,700
Married Separate	12,400	12,550	+ 1,300	1,350
Other Items	2020 Tax Year		2021 Tax Year	
Exemption	\$ ZERO		\$ ZERO	
FICA Taxable Wages Max	\$ 137,700		\$ 142,800	
Child Tax Credit	\$ 2,000		\$ 2,000	
Estate Tax Exemption	\$11,580,000		\$11,700,000	
Annual Gift Tax Exclusion	\$ 15,000		\$ 15,000	
IRA Contribution Limit	\$ 6,000		\$ 6,000	
Add'l if Age 50 or Over	\$ 1,000		\$ 1,000	
SIMPLE-IRA Cont Limit	\$ 13,500		\$ 13,500	
Add'l if Age 50 or Over	\$ 3,000		\$ 3,000	
401(k),403(b), 457 Cont Limit	\$ 19,500		\$ 19,500	
Add'l if Age 50 or Over	\$ 6,500		\$ 6,500	
HSA Contribution Limit-Single	\$ 3,550		\$ 3,600	
HSA Contribution Limit-Family	\$ 7,100		\$ 7,200	
Add'l for person(s) Age 55 or Over	\$ 1,000		\$ 1,000	
Mileage				
Charitable	14c/mile		14c/mile	
Medical and (Moving-CA only)	17c/mile		16c/mile	
Business & Rentals	57.5c/mile		56c/mile	

Securely Sending Us Tax Information via Portals

Many send us tax information through the mail or drop it off. We always welcome that. However, many send us information via fax or e-mail and would prefer a more secure way to send information electronically. You may upload any PDF files, QuickBooks files, etc. to your personal portal. Please phone or e-mail our office with any questions or for any assistance.

Extensions

As in past years, we will automatically file an extension for you if we have not received most, if not all, of your data by **March 19, 2021**. If you pay estimates, we will send those to you by the end of the first week in April.

Employee Flexible Spending Arrangements (FSAs) At Work

For 2020 and 2021, if an employer offers an FSA through work, employees may fund with pre-tax dollars up to \$2,750 per employer to pay for medical expenses not covered by insurance such as prescriptions, deductibles, co-pays, and other items such as vision and dental. This is often a “use it or lose it” provision, so be careful.

(OVER)

Form 1095-A, 1095-B, and 1095-C

We need these forms to complete your tax return. While the IRS no longer will issue a penalty for not having Minimal Essential Coverage (MEC), California will as the State of CA has a MEC requirement for calendar years 2020 and forward. In addition, the Affordable Care Act continues to phase in progressive requirements that will affect the income tax return. Again, for tax year 2020 all Americans with Minimal Essential Coverage (with a few exceptions) will be receiving either a Form 1095-A (from Healthcare Exchanges such as Covered California), Form 1095-B (from 3rd party insurance companies and governmental agencies, such as Anthem or Kaiser) or Form 1095-C (issued by employers with over 250 employees). If you get Medicare, the Form 1099-SSA, your statement from Social Security, will suffice.

We Need Your Form 1098 (Mortgage Interest Statement)

Because of new IRS requirements, your lender on your home, rental, etc. must list not only the interest you paid to them on real estate you owned, but also the principal balance, the loan origination date, and the address securing the loan. Therefore, **PLEASE SEND US THE FORM 1098.**

No Form 1098-T, No Education Credits

To qualify for either the American Opportunity Credit, The Lifetime Learning Credit, or the Tuition and Fee Deduction, you need to have been issued a Form 1098-T by the educating institution. Therefore, **PLEASE SEND US THE FORM 1098-T.**

Please Provide Us All 1099s, W-2s, 1095, 1098, etc. You Receive

While you may list your income on the organizer, please provide all W-2, 1098-T, 1098-Mortgage, 1095-A, 1095-B, 1095-C, 1099-A, 1099-B, 1099-C, 1099-Div, 1099-G, 1099-Int, 1099-K, 1099-Misc, 1099-PATR, 1099-Q, 1099-R, 1099-SA, 1099-SSA, K-1s and all **brokerage 1099s in their entirety**, and other tax forms that have letters or numbers you received. There are figures, codes, and boxes on many of those forms that alert us to tax saving opportunities.

Did You Gift Cash, Property, Or Valuables of More Than \$15,000 To One Person?

If you gift more than \$15,000 of value to any one person in a calendar year, you must file a Form 709-Gift Tax Return by April 15th of the following year. This includes gifts of cash, stock, jewelry, real estate, and other items of value. Generally, there is no tax due with this return, but it must be filed even if no tax is due. If you have gifted more than \$15,000 to one person, please e-mail or call the office and we can discuss what needs to be done.

Foreign Bank and Financial Accounts—FinCEN 114 Due Date Now April 15th

Did you have an interest in or authority over at least \$10,000 at any one time in any combination of financial accounts in foreign countries in 2019? These might include bank accounts, brokerage accounts, or other financial accounts. If so, you may be required to file FinCEN Form 114, **Report of Foreign Bank and Financial Accounts. This form is due by the original due date of the return including extensions.** So, generally by April 15th or October 15th. Foreign Accounts would **not** include a mutual fund such as "Vanguard's Foreign Funds". If this applies to you or are unsure, please contact us. There are severe penalties and consequences for not filing timely. The penalty can be the **greater of \$100,000 or 50%** of the unreported account values. Ouch!!

10th Year for Form 8938—Reporting of Specified Foreign Financial Assets

Starting with the 2011 tax year and continuing into the indefinite future, every individual who on the last day of the tax year has a foreign financial asset worth more than \$50,000 (\$100,000 if married filing joint-MFJ) or at any time during the year had a foreign financial asset worth more than \$75,000 (\$150,000 MFJ) must file a Form 8938. This is in addition to the FinCEN Form 114 mentioned above. While it may include the same accounts, Form 8938 may also include foreign hedge funds, any stock or security issued by a non-US person, and any interest in a foreign entity. You do not need to disclose any stock that is held in a US financial institution (such as Schwab, etc.). If you think this may apply to you, please contact the office. The penalty for not reporting foreign financial assets is **\$10,000.**