



» TAX TOPICS

Stimulus Payment

\$1,400 per person - you will not have to pay back excess, but if you didn't receive the full amount, you may be eligible to receive more. Bring us your Notice 1444, Economic Impact Payment, with your tax records.

Child Tax Credit (CTC)

This credit is increased for 2021 from \$2,000 per child under age 17 to \$3,600 per child under age 6 and \$3,000 per child age 6 – 17.

From July to December, many people will have received some of this in advance. In January 2022, the IRS is mailing out Letter 6419, which lists any advance CTC payments received.

Education

Student loan interest of up to \$2,500 is deductible.

- The American Opportunity Credit is available for tuition, fees, and books in your first four years of college.
- The Lifetime Learning Credit is available for qualified tuition expenses. There is no limit of years for this credit.

These credits and deductions do phase out and become unavailable for higher income earners. Please remember to bring us your 1098-T, Tuition Statement, with your tax records.



» CHARITY

Charitable Donations

If you itemize, you can deduct up to 100% of your adjusted gross income for charitable donations in 2021. Next year, the deduction will return to 60% of your adjusted gross income.

If you don't itemize, you are allowed a deduction of \$300/single or \$600/joint for charitable donations during 2021.

Also, consider the Charitable IRA Rollover which allows an individual 70½ years of age and older to make a Qualified Charitable Distribution from their IRA directly to a charity. This distribution does not count as income and can help satisfy your RMD for that year.

» FINANCIAL TOPICS

Retirement and Health Spending Accounts (HSAs)

Maximum contributions for HSAs and retirement plans are as follows:

- IRA: \$6,000; \$7,000 if over age 50.
- Simple IRA: \$13,500; \$16,500 if over age 50.
- 401(k): \$19,500; \$26,000 if over age 50.
- HSA: \$3,600 – self only; \$7,200 – family.

Required Minimum Distribution (RMD)

- For those 72 years of age and older, you are required to take distributions from your 401(k) and IRA accounts.



From our staff to you and yours, we wish you a Joyous Holiday Season and a Happy New Year!



YOUR CHECKLIST FOR TAX PREPARATION

Please remember to bring us...

- ✓ Forms W-2
- ✓ Forms 1099 (self-employed)
- ✓ 1099-R Forms (retirement):
 - pension/IRA/annuity
- ✓ Savings and Investment/Dividends:
 - Interest/dividend income
 - Income – sales of stock
 - Income – other property
 - Health Savings Account
 - Expenses for investments
 - Record of estimated taxes payments made
 - Cryptocurrency transactions
- ✓ Other Income & Losses:
 - Gambling, prizes, royalty, alimony paid/received
- ✓ Charitable donation receipts or notation.
- ✓ Stimulus payment: Notice 1444
- ✓ Form 1095-A: Enrollment in an insurance plan through the Marketplace (Exchange).
- ✓ Student loan: 1098-E shows interest; 1098-T shows tuition/other costs.
- ✓ Receipts for classroom expenses (educators in grades K-12).
- ✓ Letter 6419: Lists any advance Child Tax Credit payments received (IRS will mail in January 2022).



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Roth Conversions

Consider converting funds from your traditional IRA to a Roth to take advantage of current tax rates.

With the potential for future higher tax rates, many more individuals are considering a Roth Conversion and paying the tax on the conversion now at the lower rates. As you get closer to year end, determining your 2021 marginal tax bracket and projected investment income can be done with more certainty. If you are trying to convert your traditional IRA to a Roth IRA to fill up a tax bracket, start those conversions now. Roth conversions can reduce future Required Minimum Distributions and create a potential tax-free inheritance.

Harvesting Capital Gains/Losses

Long-term capital gains are taxed at a rate of 0%, 15%, or 20%. You may consider accelerating sales of capital assets into 2021. For those capital assets with gains, they can be sold now and repurchased with a higher basis so that future sales will have less capital gain that could be taxed at higher rates. Just avoid the wash-sale rules which disallow the loss if the same shares are acquired within the 61-day period beginning 30 days before and ending 30 days after the sale.

»» Tax Topics for Business Owners

1099's – 1099s need to be issued to those individuals you paid more than \$600 to for services or rent. You must issue those forms by January 31, 2022.

Bonus Depreciation – For 2021, bonus depreciation will continue at 100%.

Section 179 – This can be used to expense up to \$1,050,000 of eligible property. Spending more than \$2,620,000 on qualified property will reduce this deduction.

Section 199A Deduction – Through this deduction, the Internal Revenue Code continues to offer up to a 20% deduction of income from each qualified trade or business.

Wages and Social Security – The new Social Security cap on wages changed from \$142,800 for 2021 to \$147,000 for 2022.

PPP Loan – If you received a second Paycheck Protection Program (PPP) Loan (Second Draw), make sure to apply for forgiveness if you haven't already done so. Visit this website for details and forms: <https://www.sba.gov>



Mileage Rates for 2021

Business	56 cents
Medical	16 cents
Moving	16 cents
Charity	14 cents

Table of Standard Deductions for 2021

Married Filing Jointly	\$25,100
Single	\$12,550
Head of Household	\$18,800
Married Filing Single	\$12,550

»» 2021 Federal Income Tax Brackets

Rate	Single /Unmarried Individuals	Married Filing Jointly or Qualifying Widow(er)	Married Filing Separately	Head of Household
10%	\$0 - \$9,950	\$0 - \$19,900	\$0 - \$9,950	\$0 - \$14,200
12%	\$9,951 - \$40,525	\$19,901 - \$81,050	\$9,951 - \$40,525	\$14,201 - \$54,200
22%	\$40,526 - \$86,375	\$81,051 - \$172,750	\$40,526 - \$86,375	\$54,201 - \$86,350
24%	\$86,376 - \$164,925	\$172,751 - \$329,850	\$86,376 - \$164,925	\$86,351 - \$164,900
32%	\$164,926 - \$209,425	\$329,851 - \$418,850	\$164,926 - \$209,425	\$164,901 - \$209,400
35%	\$209,426 - \$523,600	\$418,851 - \$628,300	\$209,426 - \$314,150	\$209,401 - \$523,600
37%	\$523,601 or more	\$628,301 or more	\$314,151 or more	\$523,601 or more

Source: <https://www.irs.com/articles/2021-federal-income-tax-rates-brackets-standard-deduction-amounts>

It's important to remember that moving up into a higher tax bracket does not mean that all of your income will be taxed at the higher rate. Only the money you earn within a particular bracket is subject to the corresponding tax rate.