

Bacon and Gendreau Tax Preparation
Tax Preparation and Financial Services
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WWW.BGTAXCT.COM

January 1, 2021

To All Our Valued Clients,

The 2020 tax filing season is upon us. Without question 2020 has been an unusual year. We hope all is well with you and your family. We would also like to thank you for allowing us to prepare your income tax returns last year and thank you for your continued patronage, support and trust in us by continually referring your friends and family. Steve, Susan, Andrew and I are truly humbled and grateful to every one of our clients.

Individual filing season will begin accepting electronic and paper returns around January 25, 2021. The filing deadline is April 15th, 2021 for all 2020 calendar year tax returns for individuals. We ask that you do not wait until the last minute. If anyone comes after April 10th, we cannot guarantee that we will be able to complete your tax return on time and we will make the determination if an extension is necessary.

Tax Year 2020 -What's NEW

Please note that the information below is based on information up to 12/29/2020. We will update our website and Facebook page with any new tax changes.

Stimulus Check Those who didn't receive a Stimulus Check may be able to claim the Recovery Rebate Credit. **You will need IRS Notice 1444**, Your Economic Impact Payment, to calculate any Recovery Rebate Credit you may be eligible for on your 2020 Federal income tax return. Taxpayers may be able to claim the Recovery Rebate Credit if they met the eligibility criteria in 2020 and they didn't receive an Economic Impact Payment in 2020, or Their Economic Impact Payment was less than it should have been.

Refunds - Although the IRS issues most refunds in less than 21 days, the IRS cautions taxpayers not to rely on receiving a 2020 federal tax refund by a certain date, especially when making major purchases or paying bills. Some returns may require additional review and may take longer.

Refunds that include the Earned Income Tax Credit or Additional Child Tax Credit should be available by first week of March. By law, the IRS cannot issue refunds for people claiming the EITC or ACTC before mid-February. The law requires the IRS to hold the entire refund – even the portion not associated with EITC or ACTC. The IRS expects most EITC/ACTC related refunds to be available in taxpayer bank accounts or on debit cards by the first week of March, if they chose direct deposit and there are no other issues with their tax return.

Secure Act and Cares Act For 2020, the SECURE Act as well as the CARES Act made several changes to your tax calculation.

Waiver of the 10% Early Withdrawal Penalty on up to \$100,000 withdrawal from IRAs and Defined Contribution Plans, such as 401(k)s made between January 1 and December 31, 2020 by a person who or whose family, is infected with the Coronavirus or they are economically harmed. Rules are complex and we should discuss.

Required Minimum Distributions, RMDs, otherwise required for 2020 from 401(k) plans and IRAs are waived, meaning you do not have to take them in 2020. This includes distributions that would have been required by April 1, 2020, due to the account owner's having turned age 70 1/2 in 2019.

Paycheck Protection Program - PPP loans can be used to pay qualifying expenses, which have been expanded to include expenses such as covered property damage, supplier costs, or worker protection expenditures in addition to employee wages or operating expenses like rent and utilities. When used for qualifying expenses, PPP loans are forgivable. The bill provides a simplified forgiveness application process for loans up to \$50,000. The bill also clarifies that businesses can deduct expenses paid with forgiven PPP loans. This clarification applies to old loans and to new loans. If you received a PPP loan that was not forgiven, please contact our office to discuss.

Charitable contributions If you don't itemize your deductions on Schedule A (Form 1040), you may qualify to take a deduction for charitable contributions of up to \$300.

Identity Protection Personal Identification Numbers (IP PINs). New IP PINs are generated every year. This year, they will generally be sent out by mid-January 2021. Use this IP PIN on your 2020 return as well as any prior-year returns you file in 2021. Starting in 2021, you may voluntarily opt into the IP PIN program as a proactive way to protect yourself from tax-related identity theft.

Temporary Special Rules for Health and Dependent Care Flexible Spending

Arrangements A cafeteria plan may permit the carryover of unused amounts remaining in a health FSA as of the end of a plan year to pay or reimburse a participant for medical care expenses incurred during the following plan year, subject to the carryover limit (currently \$550). This is sometimes referred to as the carryover rule. The new Act expands the carryover period for 2020, and 2021. The provision also allows employers to extend the grace period for plan years ending in 2020 and 2021 to 12 months after the end of such plan year for unused benefits and contributions to health flexible spending and dependent care flexible spending arrangements. In addition, an employer may allow an employee who ceases to participate in the plan during calendar year 2020 or 2021 to continue to receive reimbursements from unused benefits or contributions through the end of the plan year in which the employee's participation ceased, including any extended grace period. The Act also provides a special carry forward rule for dependent care flexible spending arrangements where the dependent aged out during the pandemic.

\$250 educator expense deduction applies to PPE Eligible educators (i.e., kindergarten through grade 12 teachers, instructors, etc.) are allowed a \$250 above-the-line deduction for certain otherwise allowable trade or business expenses paid by them. It will now include personal protective equipment (PPE), disinfectant, and other supplies used for the prevention of the spread of COVID-19.

Housekeeping Guidelines

First and foremost, the safety of our clients and our staff is the most important priority during this tax season. We will take all precautions to make our office environment safe.

There are several ways in order to get your tax information to us.

- 1) Drop off. We will process and follow up with a phone or video call before finalizing.*
- 2) Mail in. We recommend you make copies and keep your originals.*
- 3) Use our Secure Portal accessible through our website. Please call us to set up initial access.*
- 4) Office appointments if necessary.*

We will be uploading organizers to our secure portal for your convenience. You should receive an email indicating it is ready to print. Call the office if you need one mailed to you!

Payment and signature of Form 8879 is required prior to the actual filing of your income tax returns electronically. We regret and apologize for any inconvenience this may cause you.

David Gendreau / Susan Glazier - Suite 305, Please call office at 860-216-2195

Monday through Thursday 9:00am – 6:00pm
Fridays 9:00am – 12:00pm and Saturdays 8:00am – 4:00pm

Stephen Bacon / Andrew Melaragno – Suite 201, Please call office at 860-216-2195 or 860-233-1171.

Best Regards,

Steve and David

2020 Tax Preparation Checklist

Personal Information

	Social Security Card(s) (if new client)
	Driver's License(s)
	Prior two years of tax returns (if new client)

Dependent(s) Information

	Dependents' Social Security Numbers & Dates of Birth (if new client or dependent)
	Form 8332 showing that the child's custodial parent is releasing their right to claim a child to you, the noncustodial parent (if applicable)

SOURCES OF INCOME

Employed

	Form W-2(s)
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Unemployed

	Form 1099-G (Need to obtain Form UC1099-G online for CT)
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State Tax Refund

	Form 1099-G
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Self-Employed (See website for organizer)

	Forms 1099-NEC, 1099-MISC, 1099K, income records to verify amounts not reported on 1099s
	Records of all expenses — check registers or credit card statements, and receipts
	Office in home information for self-employed, square footage of office & entire home

Rental Income (See website for organizer)

	Records of income and expenses
	Rental asset information (cost, date placed in service, etc.) for depreciation

Retirement Income

	Pension/IRA/annuity income Form 1099-R
	Traditional IRA basis (i.e. amounts you contributed to the IRA that were already taxed)
	Social security/RRB income Form 1099-SSA, RRB-1099

Savings & Investments or Dividends

	Interest, dividend income Form 1099-INT, 1099-OID, 1099-DIV
	Income from sales of stock or other property Form 1099-B, 1099-S
	Dates of acquisition and records of your cost or other basis in property you sold (if basis is not reported on 1099-B)

Other Income & Losses

	Gambling income (Form W-2G or records showing income, as well as expense records)
	Cancellation of Debt, Abandonment of Secured Property - Form 1099-C, 1099-A
	Prizes and Awards
	Estates & Trusts Form K-1
	Royalty Income - 1099-MISC
	Health Savings Accounts
	Form 1099-SA or 1099-LTC Health Savings Account and long-term care expenditures
	Form 5498-SA showing HSA contributions
	Record of alimony paid/received with Ex-spouse's name and SSN (Divorce Decree needed)

TYPES OF DEDUCTIONS

Home Ownership

	Form(s) 1098 or other mortgage interest statements - For each slip we also need
	If Home Equity Loan, were the proceeds used for home improvement?
	If no, please provide explanation of what proceeds of loan were used for (e.g. vacation, college)
	Real estate and personal property tax records - Obtain information from city/town website.

Charitable Donations

	Cash amounts donated to houses of worship, schools, other charitable organizations
	Records of non-cash charitable donations (>\$500 needs detailed information)
	Amounts of miles driven for charitable purposes

Medical Expenses

	Amounts paid for healthcare insurance and to doctors, dentists, hospitals, pharmacy
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Health Insurance

	Form 1095-A if you enrolled in an insurance plan through the Marketplace (Exchange)
	Form 1095-B and/or 1095-C if you had insurance coverage through any other source (i.e. an employer, insurance company, government health plan such as Medicare, Medicaid, CHIP, TRICARE, VA, etc.)
	Marketplace exemption certificate (ECN) if you applied for and received an exemption from the Marketplace (Exchange)

Childcare Expenses (Under Age 13 or Disabled)

	Mandatory: Need name, address, SS# or Federal ID # for provider.
	Fees paid to a licensed day care center or family day care for care of an infant or preschooler.
	Fees paid to a qualified day camp.
	Don't include expenses paid through a flexible spending account at work.

Educational Expenses

	Forms 1098-T from educational institutions (Transcripts are also needed)
	Receipts that itemize qualified educational expenses
	Records of any scholarships or fellowships you received
	Form 1098-E if you paid student loan interest

State & Local Taxes or Sales Tax

	Amount of state/local income tax paid (other than wage withholding); or amount of state and local sales tax paid
	Invoice showing amount of vehicle sales tax paid

Retirement & Other Savings

	Form 5498 showing IRA contributions
	Distributions from 529's and Educational Savings Plans Form 1099-Q

Miscellaneous

	Estimated Taxes Paid
	Stimulus Payment -Economic Impact Payment - Need IRS Notice 1444
	Identity Protection PIN (IPPIN) Issued by IRS every year, needed for E-filing
	CHET Contributions and Account Number
	Bank, Account #, Routing # for Direct Deposit