



HARTWELL & COMPANY

ECONOMIC IMPACT PAYMENTS

The Federal Government initially disbursed \$1,200 per taxpayer and \$500 for each dependent. Eligibility is based upon tax filing status and income. An additional round of payments of \$600 per taxpayer and dependent under 17 years of age are also subject to income limitations. These payments are not taxable and will not effect your tax liability. If you were eligible and did not receive the payment, you will be able to claim a tax credit/refund for the eligible amount.

UNEMPLOYMENT BENEFITS

Unemployment benefits including the supplemental benefits are taxable. If you are currently collecting consider having taxes withheld to avoid not having enough taxes paid prior to filing. Hopefully, you had voluntarily requested taxes to be withheld to avoid any surprises such as a tax liability.

CHARITABLE CONTRIBUTIONS

For 2020 AND 2021, individuals who normally do not itemize deductions may take up to a \$300 above-the-line deduction for cash contributions to qualified charitable organizations, \$600 for married filers).

Prior to the CARES Act law, individuals could not take an itemized deduction of more than 60% of their contribution base on charitable contributions, of cash, made to 50% charities. The CARES Act provided that taxpayers could elect to deduct 100% with respect to contributions made in 2020 and 2021.

All deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250 and should also state that no goods or services were received in return for the contribution.

EDUCATOR EXPENSE DEDUCTION

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. This includes PPE.

AFFORDABLE CARE ACT

All Americans have been affected in some manner by the Affordable Care Act. Five new tax forms were released by the IRS as a result of the implementation of this act in 2014. If you receive any type of Form 1095 (a tax form relating to the health insurance marketplace) from any issuer or agency, we MUST have all copies to prepare your tax return.

CHILDREN/STUDENT TAX RETURNS

We highly recommend that you do not allow your dependent children or college students to file their own returns this year. We recommend that you allow us to file their returns for them because of the Affordable Care Act. Allowing a child to file their own return, particularly a student, can cost the child

and parent literally thousands of dollars in Health Care credits. This can happen if the child files a return claiming an incorrect filing status.

HEALTH CARE DEDUCTIONS

Tax changes in the various tax bills have greatly reduced your deduction for medical costs, including health insurance for 2020. We will see very few deductions available for medical costs now unless you have substantial bills. The amount of your medical expenses in most cases must now be more than 7.50% of your adjusted gross income before we can deduct anything, so weigh carefully whether you want to go to the trouble of summarizing these costs. If you are self-employed, we still need to know how much you paid for health insurance and long-term care insurance, if applicable.

FOREIGN ACCOUNTS

The IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest with a value over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are SUBSTANTIAL penalties for failure to disclose these items.

MORTGAGE INTEREST

We must obtain Form 1098 from you when you pay mortgage interest. Additionally, we must obtain refinancing closing statements and if you drew money out on a home mortgage or refinancing, we must have general information on the use of the money according to the IRS.

RENTAL PROPERTY

The IRS now demands substantially more information. We now need, FOR EACH PROPERTY SEPARATELY: the physical location, the type of property (single family, duplex, etc.), Forms 1099-K received, and a record, by property, of the number of days rented and the number of days used for personal purposes.

RESIDENTIAL ENERGY TAX CREDITS

Certain residential tax credits are available for 2020. There is a credit for residential renewable energy. A common example of the first would be Geothermal heat pumps. There are other ones as well, but less common in Michigan. There is a credit for qualified energy efficiency improvements which include home insulation, exterior doors, exterior windows and skylights, and certain roofing materials. There is a credit for residential energy property costs which include electric heat pumps, electric heat pump water heaters, central air conditioning systems, natural gas, propane, or oil water heaters, furnaces and boilers. Finally, there is a credit for advanced circulating fans for natural gas, propane or oil furnaces. There are tax credit limits and documentation requirements for each item. If any of the above apply to you, please provide the documentation given to you by the party who rendered the service.

There are literally hundreds of other aspects to the tax law that we will consider this year while preparing your return. Because of the complexity of the tax law, we are asking everyone to try to have their tax information into us as soon as possible. Please be assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you for your business in the past and we look forward to seeing you soon!