

# Johnson Financial Group, PSC

Taxes Retirement Planning Wealth Management

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## Summer 2021

It is the perfect time for a mid-year tax checkup.

As Covid-19 restrictions lift and summer kicks off, it may be tempting to get distracted by vacations, travel, barbecues, and camping. But it is also the perfect opportunity for a mid-year tax checkup, leaving time for necessary adjustments.

On another note, many of you got to meet our new Administrative Assistant Heather Sulfridge. Heather joined our firm in January of 2021 and has really become part of our team. She has recently completed her Bachelors of Business Administration and Accounting degree from Morehead State University and we feel she has settled into her position here well. Please feel free to call her if you have any questions about payroll or need to schedule an appointment, and she will be happy to help you.

Now, back to the mid-year tax checkup; a tax checkup shows if you are on track and may uncover ways to save money over the next six months. With recent law changes and potentially more on the way, there are many things to monitor as the year progresses.

Here are some things we will look at in a mid-year tax review for 2021.

### Double-Check Withholdings

It is essential to review paycheck withholdings throughout the year and make necessary changes. The IRS W-4 Form is confusing and a year-to-date check of your federal tax withholding is imperative. For example, getting married, having a child, as well as income and career changes may impact your tax liability substantially. If you would like for us to perform a mid-year tax checkup, please call the office.

Sincerely,



Gary E. Johnson, CPA

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## **Retirement Contributions**

The middle of the year is an excellent time to review retirement plan contributions, such as 401(k) and individual retirement accounts. Retirement contributors may even consider depositing more with after-tax 401(k) contributions, if their plan allows it. While filers have until the tax deadline next year for IRA or health savings account contributions, they will not have the same opportunity for their 401(k) after the year ends.

## **Child Tax Credit**

Millions of families will start receiving monthly payments for the enhanced child tax credit. The American Recovery Plan Act A, for tax year 2021 only, increased the child tax credit amount to up to \$3,000 for each qualifying child between ages 6 and 17 at the end of the 2021 tax year, and \$3,600 for each qualifying child under age 6 at the end of the 2021 tax year.

Each taxpayer with a qualifying dependent between the ages of 6 and 17 will receive a monthly payment of \$250 per qualifying child from July 2021 to December 2021 only. If the qualifying dependent is under the age of 6, that payment will be increased to \$300 per month. These payments will be deducted from the refundable child tax credit that you will be receiving with your 2021 tax return.

If you are expecting a tax refund on your 2021 tax return, these advanced payments may not have a huge impact on you. However, those expecting a tax bill may prefer to opt-out of the payments to receive a lump sum next April, assuming they still qualify. There is a risk of losing eligibility if taxpayers have a higher income throughout the rest of the year.

Although the deadline to decline the first payment already passed, there's still a chance to un-enroll from the others through the IRS Portal. See link below. Please contact us if you would like some help in this area. A nominal fee will be charged for the service. <https://www.irs.gov/credits-deductions/child-tax-credit-update-portal>

## **IRS Ended Filing Season with 35M Unprocessed Tax Returns**

IRS ended this year's filing season with more than 35 million individual and business tax returns that have not yet been processed, according to National Taxpayer Advocate Midyear Report to Congress. While most taxpayers were able to successfully file their returns and receive refunds, a record high number of Americans did not, with unprocessed tax returns more than four times greater than the number recorded at the end of the 2019 pre-pandemic filing season.

## **Get Organized**

While next year's tax season is several months away, it is never too early to start getting organized. Be sure to track your deductions and keep copies of your receipts/mileage logs. We will be preparing new 2021 tax organizers in November/December of this year. If you would like one of these organizers, please contact Heather via email at [heather@jfg-wm.com](mailto:heather@jfg-wm.com) or call our office.

As always, we are here for you, watching the tax laws and how you may be affected. We offer tax planning as a fee-based service separate from your annual tax preparation. If you would like to schedule a mid-year tax planning review, please feel free to contact our office at (606) 528-4020 to make an appointment.

Thank you for your loyalty and your business.

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