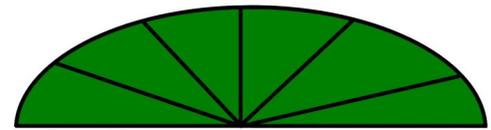


TAX TALK

FROM



**ALT TAX & FINANCIAL
SERVICES INC.**

Serving Tax & Financial Clients Since 1975

**1101 JOLIET STREET
JANESVILLE, WI 53546**

608-756-5919 www.alttax.net

JUNE 2021

WISHING YOU A HAPPY, HEALTHY SUMMER!

Dear Client:

Well, last June we thought that the 2019 Tax Season was one that we would not forget for many years to come, but the 2020 Tax Season proved to be one of the most challenging tax seasons we have ever experienced.



First, ALL of us at Alt Tax & Financial Services want to thank you and tell you how much we appreciate your patience, understanding and cooperation with us during this tax season. The unexpected (*and what seemed to be never ending*) tax law changes, extended deadlines again, and the pandemic in general were just some of the challenging issues. On a positive note, it was nice to see many of our client's back in the office for face-to-face tax interview appointments.



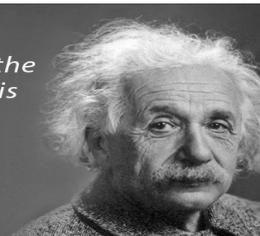
Thank you for trusting and allowing us to prepare your income tax returns. We work hard to earn and maintain your trust.

We want to help you make good decisions throughout the year and be prepared for tax time. Mid-year is the perfect time for tax planning. Dennis, Gary, Joe, Barb & Sarah are here throughout the year to assist you. Feel free to call with any questions as they arise or to set up an appointment.



The hardest thing in the world to understand is the income tax.

- Albert Einstein



And the Winners are:



As our way of saying thanks, Alt Tax & Financial Services, Inc. offered a "Customer Appreciation Drawing" held on Tuesday, May 17th. We appreciate each and every one of our clients.

Congratulations to the following winners:

Grand prize:

Free 2021 Tax Preparation up to \$250

Richard & Renee Hart

\$100 Prize

Russell Hanson

\$50 Prize

Richard Hathorn





AMERICAN RESCUE PLAN ACT OF 2021

On March 11, 2021, President Biden signed into law the The American Rescue Plan Act. The \$1.9 trillion package, based on President Biden's American Rescue Plan, is intended to combat the COVID-19 pandemic, including the public health and economic impacts.

- **Economic Impact Payment** (*Stimulus Payment*)

A 2021 refundable tax credit of \$1,400 (\$2,800 filing joint) plus \$1,400 for each dependent (no age limit) is advanced based on your 2019 or 2020 adjusted gross income (AGI). (*AGI limitations apply*) Please be sure to keep your Notice 1444-C or keep track of what you received because you will need to reconcile on your 2021 tax return just like we did on the 2020 tax return.



- **New Child Tax Credit** (2021 ONLY)

2021 individual tax returns that have dependent children qualify for a child tax credit of \$3,000 (\$3,600 if under 6 at 12/31/21). The ARPA requires the IRS to pay 1/2 of the credit in advance in 6 monthly payments beginning in July 2021. The advance payment will be estimated based on 2020 returns (2019 if not yet filed) and reconciled on the 2021 tax return. ***The IRS has a primary portal now open where taxpayers can elect out of advance payments or update their 2021 income, filing status or qualifying children.*** Key points of new law:

- ⇒ ***Child must have a Social Security Number and be under 18 on the last day of year***
- ⇒ ***\$3,000 per dependent (\$3,600 if under age 6 at 12/31/2021)***
- ⇒ ***The increased amounts begin phasing out at \$150,000 on joint returns and \$75,000 for single and head of household.***
- ⇒ ***Fully refundable***
- ⇒ ***50% of credit (\$1,500 or \$1,800 under at 6) paid in 6 payments in advance beginning July 15, 2021 - Remainder is refundable with 2021 return when filed.***

***** IMPORTANT: Any excess payments are taxable with the 2021 return *****

- **Dependent Care Assistance** (2021 ONLY)

The child and dependent care credit is fully refundable and available for expenses up to \$8,000 for 1 child and \$16,000 for 2 or more children. The maximum rate increases to 50% if you have AGI of less than \$125,000. Also, for tax year 2021 **ONLY**, your maximum employer dependent care tax-free benefit increases to \$10,500.

- **Form 1099-K Reporting**

One of the ARPA tax benefits for Business Taxpayers. Third party settlement organizations that process your electronic payments must report them to the IRS on Form 1099-K if they exceed \$600, no matter how many transactions (currently \$20,000 and 200 transactions). Transactions are only reported if you receive funds to provide goods or services for the payment (not reimbursements from friends or family)

Use Tax is tax owed on any items you purchase and use in your resident state on which the proper sales tax was NOT paid. Examples that may be subject to use tax include mail order items, eBay, and some purchases through Amazon marketplace retailers. If you travel outside the country this year, and make purchases, remember to include the amount for your use tax computation. Many State Tax Departments use customs reports to determine if any use tax was omitted on a resident's tax return.



The standard mileage rate for 2021 decreased to 56¢ per mile. Medical and moving miles also decreased to 16¢ per mile, but charitable mileage remains at 14¢.



The annual gift exclusion for 2021 remains the same at \$15,000 per person. If your gifts exceed the annual amount, you are required to file a gift tax return.

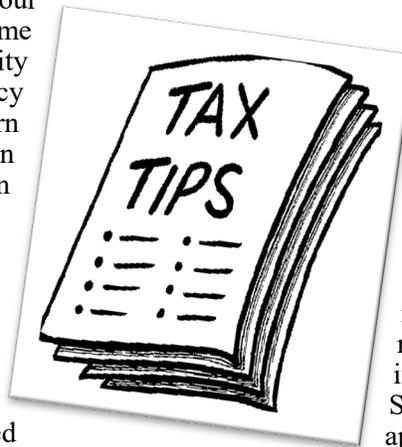
Contribution limits for 401(k), 403(b), and 457 plans remain at \$19,500 with an additional "catch up" contribution of 6,500 if you are 50 or over. Limits on Simple Plans remain at \$13,500 with an additional \$3,000 if you are 50 or over. IRA and ROTH limits remain for 2021 at \$6,000 with a "catch up" contribution of an additional \$1,000 if you are 50 or over.



Getting married or divorced? If you changed your name as a result of a recent marriage or divorce, you'll want to take the necessary steps to ensure the name on your tax return matches the name registered with the Social Security Administration. A discrepancy between the name shown on your tax return and the SSA records can cause problems in the processing of your return and may even delay your refund.



If you move or change your phone number or email address in 2021, be sure to let us know your **new address and/or phone number and email.** That way you can continue to receive this newsletter, your pre-scheduled appointment notice we mail in early January, and your appointment reminder phone call.



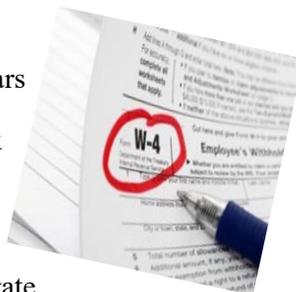
Social Security Administration (SSA) used to send you your earnings & benefit statement around your birthday annually. They have now stopped mailing the statement and have created access online at: [my Social Security](#) which gives you immediate access to important information and tools. You can receive personalized estimates of future benefits based on your real earnings, see your latest Statement, and review your earnings history. It even makes it easy to request a replacement Social Security Card or check the status of an application, from anywhere!



ALL gambling winnings are taxable even if you didn't win enough to get a reporting document. You should keep a log of ALL your winnings and losses for tax purposes. New logging rules called "sessions" are available to gamblers who keep meticulous records.

Do you own any U.S. Savings Bonds? Make sure that you cash any bonds that were issued in 1991 or earlier by December 31, 2021. These bonds have reached final maturity and all accrued interest must be reported on your 2021 income tax return.

Do you need to update your 2021 Form W-4? The new form is completely different from prior years due to the tax law changes. We no longer claim exemptions on the tax return and the new tax law revised IRS tax withholding tables.



If you have questions, please feel free to contact us to help you navigate through the form.

Backlog of income tax returns

The IRS is falling behind in processing millions of income tax returns, which is delaying refunds for many Americans.

According to the Taxpayer Advocate Service, the IRS was holding almost 31 million returns to be manually processed just before the May 17 deadline. That backlog has grown by more than 2 million returns since mid-April.

The advocate office was hoping that the number would go down, but thinks that taxpayers will continue to experience unusually long delays.

Part of the backlog issues are the paper tax returns for 2019, which the IRS got behind in processing due to the coronavirus last year, but much of the backlog consists of 2020 tax returns. Some of the 2020 returns getting flagged are issues relating to tax changes, stimulus checks and the "Recovery Rebate Credit".

ESTATE AND GIFT TAX

EXCLUSION PORTABILITY

The recent tax legislation changed the estate and gift tax exclusion portability amount. Portability means that spouses, under certain circumstances, can share their unused \$11.7 million estate and gift tax exclusion with each other. This portability allows spouses to effectively use a combined \$23.4 million exclusion. Portability allows a surviving spouse to elect to use any exclusion unused by his/her last deceased spouse in addition to his/her own \$11.7 million exclusion.



It is important to note that portability is only available if an election is made on the deceased spouse's estate tax return. Also, portability is not available for the Generation

Skipping Tax (GST) tax exemption. Further, in the event of a remarriage and subsequent death of the new spouse, the surviving spouse will no longer have access to the unused estate tax exclusion of the first deceased spouse. To elect portability after the first spouse dies, contact your attorney to see if portability is right for you.

ESTATE PLANNING CONSIDERATION

Wisconsin created a statute that allows non-probate transfer of real estate at death. Since 2006, an interest in real estate may be transferred without probate to a designated TOD (Transfer On Death) beneficiary of a sole owner or the last to die of multiple owners. A TOD must be designated on a deed by including the words "Transfer on Death", or "Payable on Death" or the abbreviation "TOD" or "POD" after the name of the owner or owners of the property and before the names of the beneficiary(s).



The designation of a TOD beneficiary on a deed does not affect ownership of the property until the owner or owners' death. A TOD beneficiary has no interest in the property during the life of the property owners. The actual transfer does not occur until death. The designation may be canceled or changed at any time by the owner without the consent of the beneficiary.

A TOD beneficiary designation is not effective unless the TOD designation is recorded with the register of deeds. The designation may be on an original deed that passes the property interest or may be made at a later time by executing and recording another deed. Any questions should be referred to an attorney.



*JUST
for
FUN*

JUST FOR FUN
Win Free 2021 Tax
Preparation - Up to \$250

Trivia Question:

What year did the IRS start electronic filing?

Email us with your answer at:

Altfinancialservices@alntax.net

Note: If you do not have access to internet feel free to drop off or mail us your answer.

We will take all correct answers and pull a name randomly on Monday, July 26, 2021.

We will post the winner on our website at:

www.alntax.net

under our "Just for Fun" page

**Must be a current Alt Tax & Financial Services tax client to win*

CONSIDERATIONS FOR CHILDREN OVER AGE 18

Once your child turns 18 years old, you lose the ability to make decisions for them or even to find out basic information. You can't even see your college student's grades without permission. Most parents find they can no longer access many things they normally could.

When your children leave for college or reach the age of majority, you may want your child to consider:

- ◆ A HIPPA authorization for you to discuss their medical situations
- ◆ A Durable Power of Attorney (POA)
- ◆ A Financial Power of Attorney

Without the above legal documents, you are limited to what doctors can tell you, and who can make decisions for them if they aren't able.

Here at Alt Tax & Financial Services, any child over the age of 18 (who is not a dependent) needs to sign a form (Consent to Release Tax Information) that allows us to release their tax return to you or anyone other than the child themselves.





Need Some Help?

Receive an IRS or State Tax Notice?

What to do:

Bring the notice to us within 10 days of receiving the 1st notice so we can help you

Need to file an Amended Return?

What to do:

Contact a tax professional in our office to help you. (Note: We do charge an additional fee for Amended Returns that were not our error.)

Have a friend or relative that needs help with a notice?

What to do:

Refer them to us. We have tax professionals in our office that can help.

CHARITY



Above the Line Deduction for Cash Donations

Individual taxpayers will be able to deduct cash donations to charity of up to:

\$300 for Single taxpayers

\$600 for Joint taxpayers

As an above the line deduction on their 2021 federal tax return. This effectively allows a limited deduction to taxpayers claiming the standard deduction. You must retain receipts to verify your deduction.

Note: Donations to Goodwill or other donations of goods will not be deductible for this purpose.



Donations

Alt Tax & Financial Services, Inc. is committed to giving away a **minimum** of four (4) free tax returns every year with a value of up to \$250 each.



Please watch for details around the following months:

- 1) On **April 15** - The Client Appreciation Drawing
- 2) In the **June** Spring Tax Talk Newsletter
- 3) In the **October** Fall Tax Talk Newsletter
- 4) In the **December** Year End Tax Talk Newsletter



How Long to Keep Tax Records?

Generally we suggest to keep your tax returns for 5 - 7 years

If you have any Depreciable property or Stocks or carryover items, you should keep those returns from the time you first listed them on the return until 5 years past the last time these items affected your return.

Note:

IRS generally looks back for three years
WI generally looks back for four years
(Unless they suspect fraud)



Advance Child Tax Credit Payments in 2021

For tax year 2021 ONLY, The American Rescue Act of 2021 enhanced the child tax credit in four ways:

- Children age 17 and under qualify for the child tax credit,
- The credit amount increases to either \$3,600 (ages 0-5) or \$3,000 (ages 6-17) if the taxpayer's modified adjusted gross income is less than \$75,000 for single, \$112,500 for head of household, or \$150,000 for married filing joint,
- The credit is fully refundable provided the taxpayer lives in the United States for more than one-half the tax year, and
- 50% of the 2021 anticipated credit will be advanced in six payments between July 2021 and December 2021

Taxpayers with children under 6 years old should expect \$300 per month and those with older children age 6 to 17 should expect \$250 per month.

The enhanced child tax credit is subject to phase-out limits of:

- Single = \$75,001 to \$95,000
- Head of Household = \$112,501 to \$132,500
- Married Filing Joint = \$150,001 to \$170,000

Taxpayers who make more than the phase-out amounts listed above are still eligible for the regular child tax credit, which is a maximum of \$2,000 per child under age 17 for Single and Head of Household taxpayers making less than \$240,000 and less than \$440,000 for married filing joint taxpayers before they are fully phased out.

The IRS has created an online portal where taxpayers can either opt-out of the advance payments or report anticipated tax year 2021 changes that will affect their credit amount because when filing the 2021 tax return, taxpayers will need to reconcile the payments they received. You can go to: www.irs.gov and click on "Get answers on the Advance Child Tax Credit" and then click on "Unenroll from Advance Payments". If you have an IRS login you can login that way or you will need to create an ID.me account.

Please note, if you file a Married Filing Joint return BOTH spouses need to go through the opt out process. If only one spouse opts out, the other spouse will get their 1/2 of the credit.

IMPORTANT: Any excess payments are taxable with the 2021 return

The IRS will be required to send a document that will be similar to a Form W2 or 1099 Miscellaneous income statement that will report the total advance payments that taxpayers did receive by January 31, 2022.