



Jack Skehan & Associates

TAX PREPARATION

Enrolled Agents • *Tax Experts Since 1963*

Winter 2021 / 2022 Newsletter

Dear Friends:

We hope you had a healthy year and hope that continues throughout this year ahead. We are looking forward to working with you and are expecting a more normal year with tax laws remaining the same throughout the season. There were a few hurdles in 2021, but they came with benefits. Congress changed the rules after tax season began, which led to many people paying less income tax. This caused delays in processing some returns, and a few cases from 2019 and 2020 are still open. We can help with new and past returns.

Your Tax Appointment – Clients who usually have an in-office appointment with a tax professional will find a **prescheduled date** on the address page of this mailing. It is based on your preference from last year. We can easily reschedule if the time / date no longer works for you. If you did not see your prescheduled appointment in this packet and need one, please call us as soon as possible to get the best choice of open slots.

When confirming your appointment, please let us know whether you prefer **in-person, drop-off, telephone or virtual** (via “Microsoft Teams”, using your PC/laptop, smart phone or tablet) appointment. These options allow us to communicate with clients who feel more comfortable in a less public setting, don’t drive in the snow, or may live outside of our geographic area. Last tax season we worked with people who live in 28 states.

If choosing the virtual or telephone options we need your tax forms ahead of your meeting. We can accept them via drop off, mail, secure email (please call or email us for a secure link), or fax. Please do not send documents with sensitive information in a non-secure email.

- We will pick up and deliver tax information from clients who have transportation issues and live within a reasonable proximity of our office, at no extra charge.
- If you are not feeling well we are happy to reschedule your in-person appointment, or you may choose to use another method to meet with us.

Appointment confirmation - Clients who confirm their tax appointment by **Saturday, January 29, 2022** will be entered into our annual appointment confirmation drawing. Two winners will each receive a check for **\$250.00**. Call (207) 582-1040 or email Info@JackSkehan.com. Congratulations to last year’s winners!

We are accepting new clients and continue to offer a referral reward. You will earn a **\$50.00 credit** toward your 2022 tax preparation (the tax return we will prepare in 2023) for each new client referred, who has us prepare their tax return. Referral Coupons are enclosed. Thank you to all who referred clients this past year.

Tax Appointment Checklist & Questionnaire and our Engagement Letter – We encourage completing the questionnaire before coming to your tax appointment. This effort may help reduce delays and fees for additional time. Because each section includes a list of the forms / records needed to prepare that portion of your tax return, and is a reminder to gather records, note questions to ask your preparer, and perhaps uncover areas for potential tax savings. Please also read and sign the enclosed **Engagement Letter**. This contract between you and our firm describes each party’s responsibilities and explains how we charge for our services.

207.582.1040 * fax: 207.582-3796

30 Bridge Street, Gardiner, Maine 04345-2102

www.JackSkehan.com * e-mail: Info@JackSkehan.com

What's New?

As we go to print legislation is still pending in Congress. With the possibility of more changes to come, here are some of the current ones that affect individual tax returns.

Economic Impact Payment (Stimulus #3) – Part of the American Rescue Plan Act of 2021, the third round of stimulus payment advances of the tax year 2021 Recovery Rebate Credit began being issued by direct deposit, check or debit card in March 2021. **It is not taxable income.** Taxpayers who received a payment should receive letter 6475. The maximum credit was \$1,400 per person. The amount received will be reconciled on your 2021 income tax return. A rebate is available if the credit was underpaid. We need the exact amount received to avoid delays in processing your return at the IRS.

Child Tax Credit (CTC) and Advance Child Tax Credit (ACTC) – *For 2021 only*, the CTC increased from \$2,000 to \$3,000 per eligible child under age 18, or \$3,600 for each child under age 6. As above, the credit is reduced when income exceeds certain amounts (depends on filing status).

Beginning in July 2021 some parents started to receive a monthly advance on the Child Tax Credit. Because the amount received will be reconciled on the 2021 tax return it is very important to know the exact amount received. In January the IRS will send each recipient (possibly each parent) of the ACTC their Letter 6419, showing the total advance payments disbursed to that individual during 2021. Please bring the letter to your tax appointment.

Advance payments were estimates of your 2021 CTC, based on your 2020 tax return. If the reconciliation shows you received more of an advance than the actual CTC allowed on your 2021 return, you may have to repay some or all of the excess amount. Depending on your income level, limited repayment protection may be available.

Child and dependent care credit – *For 2021 only*, the child and dependent care credit is fully refundable even if you have no tax liability. The dollar limit for eligible expenses is increasing to \$8,000 for one child and \$16,000 for two or more qualifying children. There are limitations as income increases and ends when income exceeds \$438,000. If you have employer-paid dependent care benefits you may instead be eligible to exclude up to \$10,500 from gross income.

Premium Tax Credit (PTC) - In general, if you purchase health insurance through the Marketplace and your income is below a certain amount, you may qualify to receive help paying the monthly bill called premium assistance. If your income is too high you don't qualify for help. If you received premium assistance and ended up with more income than expected, you are responsible for repaying some or all of the advanced subsidy.

For the 2020 income tax return only, the American Rescue Plan Act of 2021 suspended the requirement to repay excess advance payments of the 2020 Premium Tax Credit. This was an incredible benefit.

For 2021 and 2022 if your household income is more than 400% of the federal poverty line, you may be eligible to claim the premium tax credit and will not pay more than 8.5% of your income for coverage.

Earned Income Tax Credit (EIC) – If your 2021 earned income is less than 2019 earned income you can use your 2019 figures to determine your EIC for 2021. You may benefit from this provision if your income went down after 2019 and you're eligible for the EIC.

For 2021 only, the minimum age to claim the EIC without any children decreased from age 25 to age 19 for most taxpayers, and the maximum age limit is eliminated.

Required Minimum Distributions (RMDs) from retirement accounts – These were waived *for tax year 2020 only*. Don't forget to take your RMD for 2021 by the end of the year. The latest requirement is to begin taking a RMD at age 72.

Charitable Contributions – Last year you could deduct up to \$300 in charitable contributions even if you didn't itemize. This year's amount is \$300 for Single filers, and up to \$600 on MFJ returns. Non-cash goods donated to a charity are not included.

Self-employed - For the self-employed there is a temporary 100% deduction for work-related restaurant meals.

Form 1099-K – Through 2021 merchants received Form 1099-K reporting their gross proceeds from any third-party transactions (i.e., Uber, Door Dash, AirBnb, etc.) when the amount paid to a single payee during a calendar year exceeded \$20,000.

Beginning in 2022, individuals, partnerships, LLCs, and corporations that earn more than \$600 through various online venues will receive Form 1099-K, listing that income; the forms will also be provided to IRS. This change will substantially increase the number of Forms 1099-K required to be filed with the IRS and furnished to recipients in early 2023, per Bloomberg Tax.

Maine changes include Earned Income Tax Credit being 20% of the federal credit, and continuation of credit for teleworkers being taxed by other states. The \$285 payment received by Mainers who earned wages, salaries, or other taxable employee pay during tax year 2020 is tax exempt in Maine and we believe federally as well.

Things we talk about every year & Reminders

After reviewing the Tax Appointment Checklist and our Engagement Letter, you may need:

- **Form 8332** - Required by the IRS when the custodial parent allows the non-custodial parent to claim their child as a dependent. As with all tax matters, you are urged to use caution and get both tax and legal advice when executing this form. Even though there is no longer a deduction for personal exemptions, being entitled to claim the child allows additional tax savings opportunities, primarily the child tax credit. There is a link to this form on our web site.
- **Consent Form** – Even when we know a caller's voice or recognize their email address, the IRS requires us to have a very specific, written consent form on file before honoring the taxpayer's request to allow anyone else to pick up their tax return. The same is true when asked to send a copy of their tax return to a bank or credit union. We can provide you with the Consent Form, or you can print it from a link on our website, www.JackSkehan.com.
- **Form 1098-T** – Provided by a college or university to each student. This form is required when claiming education credits. An account history of financial transactions listed by semester and available from the school is also very helpful. Please bring any 1099-Qs from 529 Plan distributions or external expenses such as books, as well.
- **Online statements** – Please be aware if you signed up to receive paperless statements from financial institutions, investment houses and virtual currency reporting companies such as Robin Hood, Acorn and TD Ameritrade, your tax forms may be delivered to you by that method rather than in the mail. This is for reporting interest income, dividends, capital gains or losses, etc.

For those who are in business (including rental property) and pay a person or non-incorporated entity \$600 or more, **Forms 1099-MISC** and **1099-NEC** are due January 31, 2022. These are used to report payment for services, rent, some medical payments and more. **NOTE:** We can prepare payroll, W-2 and 1099 Forms.

Charity and your IRA – Qualified Charitable Distributions from your IRA remain a tax-free way to satisfy your required minimum distribution (RMD) obligation and still help your favorite charity.

Identity Theft / Fraudulently Filed Tax Returns – If you are a confirmed victim of tax-related identity theft and the IRS has resolved your tax account issues, they will mail you a CPO1A Notice with your new IP PIN in December or January each year. The PIN prevents someone else from filing a tax return using your Social Security number or Individual Taxpayer Identification Number. The IP PIN is known only to you and the IRS. It helps the IRS verify your identity when you file your electronic or paper tax return. Please bring the letter to your appointment as we must enter the PIN on your tax return.

Additionally, to cut down on identity theft, we need to verify your identity; please bring a current license or state ID to your appointment.

Did you receive unemployment income in 2020? You may need to amend your 2020 Maine tax return. One of the changes made during the 2020 tax filing season was that up to \$10,200 of unemployment compensation was deemed to be tax exempt, depending on overall income. Maine law conformed, exempting that amount. Maine tax returns were not automatically corrected. Please talk with your preparer.

Complementary Consult – Particularly this year, clients continued to make use of our complimentary one-hour tax/financial consultation. We offer this service to every client during the off-peak season. It is important to understand how potential events and/or transactions will affect your taxes, investments or retirement. Some of the concerns were the tax consequences of selling rental property, withdrawing all or just some of a retirement investment, repaying loans from 401(k) accounts, refunds related to the Maine Educational Opportunity Tax Credit, letters from the IRS or state taxing agency, and identity theft inquiries. Other frequent topics had to do with the delay in receiving refunds, under reported income, and help filing back tax returns.

Staffing – We wish Joe Palleschi a wonderful retirement. We happily welcomed Gail Mayo mid-season and look forward to working with newcomer Jackie Hodgdon.

Updates - We post tax developments to our website, [www. JackSkehan.com](http://www.JackSkehan.com), Facebook and Instagram pages. ‘Like’ us to get our latest news delivered to you.

We hope you find this letter helpful as you prepare to see us in 2022. Call for more information or for clarification of any tax matter. Thank you for entrusting our firm to provide income tax, accounting and other financial services, operating continuously since 1963. We realize you have a choice of income tax providers and are pleased you selected a firm whose staff live and shop locally.

We wish everyone a healthy and happy new year!

Sincerely,



Jack Skehan & Associates

Jack Skehan & Associates subscribes to the tenets of Circular 230 which refers to Treasury Department Circular No. 230. This publication establishes the rules governing those who practice before the IRS, including attorneys, Certified Public Accountants (CPAs) and Enrolled Agents (EAs).

The information given does not cover every situation and is not intended to replace the law or change its meaning. It is intended to inform, not replace, legal advice.