



2020 was a tough year with COVID bringing so much uncertainty, the civil unrest, and a contentious presidential election. We were forced to cancel vacation and holiday plans; and our normal interactions with loved ones were changed drastically. For the first time since my kids left home, I decorated the outside of my house with Christmas lights because I desperately needed some holiday cheer. However, with a new year comes new opportunities and new possibilities. This is also a time in which you should begin preparing for the 2020 tax filing season. Below are a few tips to help you gather all necessary information.



- Create a folder to maintain pertinent tax documents as you receive them, such as W-2s from your job, 1098 Mortgage Interest Statements and Investment Statements. This folder can be organized electronically whereby all incoming documents are either scanned or downloaded and maintained on your home computer or other electronic device. Please note, if you continue to use Willie Hope CPA, LLC as your preparer (which I would prefer that you do), all tax documents can be electronically shared in a secure manner. However, if you are not comfortable with technology, just use a folder or envelope and gather documents as they arrive in the mail. Bottom line, organizing your documents as they arrive helps to ensure that nothing is lost.
- If you had a new addition to the family this year, congratulations! Make sure to include his/her name, birthdate and social security number in the package. Although, there is no longer a deduction for each dependent, you may qualify for the child tax credit, the dependent care credit, the earned income tax credit or others.
- Unfortunately, there were far too many people that lost loved ones in 2020. Please keep in mind that a final tax return will need to be prepared for that individual and possibly an estate return. If it was a spouse that passed in 2020, a joint return can be prepared. Please include the date of death in the package.
- If you have a business or rental property, please be sure to gather all receipts for expenses incurred during 2020. If you would prefer, the expenses can be summarized rather than providing all receipts. Please note, all receipts should be maintained for at least 3 years after the return is filed.

- Because so many things are done electronically these days, some entities may provide documents via the internet instead of by mail. This is particularly common with mortgage interest statements. Therefore, please keep in mind that you may need to print the statement to include it in the tax folder.
- For individuals who received stimulus checks in 2020, you may receive a statement from the IRS. If you do not receive a statement, please inform your tax preparer. A reconciliation of the stimulus payment must be performed on your 2020 tax return. If you think that you were eligible to receive a stimulus payment but did not, it can be claimed on your 2020 tax return.
- Due to COVID, many of you have been working from home. As a result, you may have incurred some expenses that that were not reimbursed by your employer. Unfortunately, these expenses are NOT deductible on your tax return. However, if you are an educator, there are some expenses that may be deducted. Please include the expenses with your tax package.
- The CARES Act included a provision that allows taxpayers, who claim the standard deduction, to deduct charitable contributions made during calendar year 2020. The deductions must be made in cash by check, credit card or debit card. Non-cash contributions are not be deductible. Additionally, the maximum deduction amount for 2020 is \$300. Taxpayers who claim the itemized deductions are still able to claim cash and non-cash charitable contributions as before. The IRS has provided some relief allowing these taxpayers to claim charitable contributions up to 100% of adjusted gross income (it was 60% before). The obvious question is, how do I determine whether I claim the standard or itemized deductions? If you filed a Schedule A with your tax return previously, then you claimed the itemized deduction. Of course, please consult with your tax preparer to determine whether you can claim the standard or itemized deductions going forward.
- The CARES Act also provided relief in 2020 for qualified individuals affected by COVID-19 who made early withdrawals from retirement accounts. Withdrawals from an eligible retirement plan of up to \$100,000 will not incur the 10% early withdrawal penalty. Provisions also allow for an extended repayment period for loans taken from an eligible retirement plan of up to 3 years from the date of the loan. With both of these provisions, there are some restrictions that may apply. Therefore, please consult with your tax preparer regarding your specific circumstances.

To try to help you properly organize your tax documents, please see the attached checklist. Please review as you gather your documents. As always, please feel free to contact me with any questions.