



Certified Public Accountants

35 West Union Avenue • Bound Brook, NJ 08805 • 732/560-9519 • Fax: 732/271-0607

January 2021

Happy 2021! We were glad to put 2020 in the rearview mirror. Due to Covid, we have changed our operating process for the 2020 filing season. We will not be conducting in-person appointments but will be talking with you either on a telephone call or via a zoom meeting. We are requesting that you call the office to set-up your telephone appointments, as you have set-up your in-person appointments in the past, and drop off your documents two to three days ahead of your appointment time or e-mail your documents to us in advance. A locked mailbox will be available at the bottom of the front steps from Monday through Friday between 9 AM and 5 PM beginning January 11th and there is a mail slot in the back wall of the office on the back porch that is always available. Both are recommended for use in dropping off your information. We will review your information with you at your appointment time. **Our cut-off date this year will be March 25, 2021. The filing due date for 2020 returns is April 15, 2021.** In order for us to have adequate time to properly complete your 2020 returns by April 15, 2021, your information must be in our office by close of business on March 25, 2021. Otherwise, we will most likely need to file an extension for you. For those planning to go on extension, in order for us to have adequate time to input your information to determine if you need to send payments with your extensions, we are requesting that your basic information be in our office by **April 7, 2021**. If you have any questions regarding these deadlines, please call.

As always there are changes to the tax laws that will impact the 2020 returns. Below are highlighted some items specific to personal returns that were part of the CARES Act:

- **Recovery Rebate Credits** – The Economic Stimulus Payments that many of you received early in 2020 and as well as the recent payments that began to be paid on January 4, 2021 will be reconciled on your 2020 return. If you did not receive a full credit based on your 2018 or 2019 income and your 2020 income entitles you to more of the credit you will receive it as part of your return. The good news is if you received a higher amount based on your 2018 or 2019 income and would have received a lower amount, you will not have to refund it. For those of you who are due an extra \$500 (and/or \$600) for a child born in 2019 or 2020 for whom you did not receive the payment, you will be credited with it when filing your 2020 return.
- **Retirement Plans** – For those of you subject to the Required Minimum Distribution Rules, they were suspended for 2020 and if you had already taken a distribution before the CARES Act was implemented, you had until August 31, 2020 to return the funds to avoid claiming it as income in 2020. In addition, the 10% Premature Distribution Penalty on pre-age 59 ½ distributions was waived on the first \$100,000 withdrawn for Covid related issues and you may elect to claim the distribution ratably over three years 2020-2022. You also have three years, rather than 60 days, to re-pay all or part of this premature distribution. Documentation of the Covid related necessity will be your responsibility and the repayment option will be reported on a new Form 8915-E.
- **Charitable Contributions** – For those of you who take the Standard Deduction there is a new \$300 Charitable Contribution write-off for cash or check contributions only. This is per return. In addition, there is no AGI limit on Charitable Contributions for those who itemize deductions in 2020 only but it only applies to Charitable Contributions made in 2020.

We would like to remind you about our website, www.spincpas.com . We will have this letter and the various checklists posted on this site and will be looking to expand the content in 2021. Check it out.

MEMBER NJCPA

A reminder that New Jersey now has a Health Insurance Mandate. Although the federal mandate is no longer valid, New Jersey instituted a Health Insurance Mandate effective January 1, 2019. The penalties, which, unlike the federal mandate, will be subject to penalty and interest if not timely paid, range from a minimum of \$695 to a maximum of \$3,012 for Single Taxpayers to a minimum of \$2,085 to a maximum of \$15,060 for Married Taxpayers. There are Coverage Exemptions so if you did not have Health Insurance for part or all of 2020, it will be important to review this potentially costly issue. In 2021 New Jersey replaced the federal insurance Marketplace with a New Jersey Marketplace and also provides additional credits toward insurance for lower income taxpayers.

The Secure Act – Major Overhaul to Retirement Planning– Congress passed significant legislation that is effective January 1, 2020. There was a major overhaul to the IRA and other retirement account regulations. The major provisions are listed below:

- For a taxpayer turning 70 ½ after December 31, 2019, the Required Minimum Distribution age has been increased to the year the taxpayer turns 72.
- There is no age limit on contributing to IRA's. However, contributions made after age 70 ½ will limit the amount able to be contributed tax free to charitable organizations.
- Stretch IRA's are eliminated for decedents after December 31, 2019. Instead, most non-spousal beneficiaries except minor children, disable or chronically ill beneficiaries and non-spousal beneficiaries less than 10 years younger than the decedent IRA owner, must take the distribution from the IRA within ten years. All existing stretch IRA's are grandfathered in. This is a major issue for estate planning.
- A new exclusion for the premature distribution penalty on up to \$5,000 distributed within a year of the birth or adoption of a child.

Secure Act Extenders – Some provisions of the tax law that were set to expire at the end of 2019 were extended through 2020. These include the 7.5% Adjusted Gross income Threshold for medical expenses, the Mortgage Insurance Premium deduction, the Tuition and Fees deduction for college, the Mortgage Debt Forgiveness exclusion and the principal residence Energy Related Improvements.

NJ SALT Tax Revisions – for those of you with ownership interests in pass-through entities such as S-corps, partnerships and LLC's, NJ has recently passed legislation effective January 1, 2020 that will allow entities to pay the NJ income tax on the entity level rather than the personal level, which will permit a deduction of the State Income Tax related to this income on the entity level. We have determined that unless your tax bracket for NJ is less than the 6.37% bracket this will most likely not be favorable.

Attached is a checklist, which may assist you in compiling your 2020 tax information. A more detailed organizer will be mailed or e-mailed to you upon your request. As always, we hope that you will contact us early to secure your preferred appointment time and we will be available to discuss the issues raised in this letter as well as any others you may have. When you drop-off your information with or without a scheduled appointment, it is important that you completely **fill out the enclosed Drop-off Questionnaire**, which has the optional IRS disclosure form on the opposite side. We are looking forward to working with you soon.

Sincerely,



Wendy Spinner, CPA



Michael Spinner, CPA