



BREAKING NEWS:

**CONGRESS PASSED NEW COVID-19 LEGISLATION.
SEE UPDATES THROUGHOUT NEWSLETTER.**

**Volume 1, Issue 3
December 2020**

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A Season of Change

First and foremost – our wishes for a healthy and happy holiday for those who celebrate; and a very happy 2021 filled with good health and peace.

There is so much that has happened in the past year from both a personal and business perspective. Our world has gotten smaller as we stay safe at home, cutback on our traveling, and limit our gatherings of family and friends. We have sped at warp speed into the virtual world of meetings, doctor appointments, visits with family and friends, and education.

In our profession we recognize the challenges of every tax season, however, the 2021 tax season will be presenting its own unique set of circumstances that will impact every taxpayer. We encourage you to contact our office to address any questions or concerns you may have.

ALL TAXPAYERS

What If We Still Can't Have In-Person Appointments?

Due to the continuing nature of the Covid-19 pandemic, we are preparing for no in-person tax appointments again this year.

To provide you with the best possible service, we have new options that enable us to still work closely and effectively with you. These procedures are necessary in order to limit contact and safeguard your financial data.

To get your documents to the office we have several options from which you can choose.

- Use the client portal at veritastaxsolutions.com to securely upload your documents.
- Use the drop box that is located outside by the front door of the office.
- Call us from your car for curbside pickup.
- Drop off your paperwork with the receptionist in the office.

(DO NOT send your documents via email as this is not secure and can result in identity theft.)

Once we receive all your documents, appointments will be available to discuss your return by phone or video conference with your tax preparer.

Completed returns will be available through the following methods:

- Sent online through the secure client portal
- Mailed using U.S. Postal Service (fees apply)
- Picked up at the office (come into the office or call from your vehicle)

*Extended Office hours
Beginning January 25, 2021
Monday-Friday
8:30AM-6:00pm
Saturdays
10am-2pm*

Available payment options include:

- Make a credit card payment online at veritastaxsolutions.com
- Call the office to make a credit card payment by phone
- Drop off a check
- Mail a check

We have updated our phone system to allow you to contact your tax preparer directly for questions regarding your return. However, please contact the receptionist to:

- Schedule your tax appointment via phone or video conference
- Learn how to use the secure portal to send and receive documents
- Update your email address to receive our quarterly newsletter and tax checklist
- Request a mailed newsletter and/or a tax checklist/organizer

Visit our website at veritastaxsolutions.com to:

- Read or download our latest newsletters (We post periodic updates throughout the year)
- Download the tax checklist for your return (Checklist will be available after January 6)
- Use the secure portal to upload your tax documents (Use the guest portal if you don't yet have an account)
- Make a payment with your credit card
- Opt in to receive the newsletter digitally

SMALL BUSINESS OWNERS

2020 Last Minute Year-End General Business Income Tax Deductions

Prepay Using the IRS Safe Harbor

IRS regulations contain a safe-harbor rule that allows cash-basis taxpayers to prepay and deduct qualifying expenses up to 12 months in advance without challenge, adjustment, or change by the IRS.

For a cash-basis taxpayer, qualifying expenses include lease payments on business vehicles, rent payments on offices and machinery, and business and malpractice insurance premiums.

Use Your Credit Cards

If you are a single-member LLC or sole proprietor filing Schedule C for your business, the day you charge a purchase to your business or personal credit card is the day you deduct the expense. Therefore, as a Schedule C taxpayer, you should consider using your credit card for last-minute purchases of office supplies and other business necessities.

ALL BUSINESSES

Expenses Paid with PPP Funds are Deductible

The new COVID-19 relief package provides much needed support for small businesses. **Business expenses paid for with the proceeds of PPP loans are tax deductible**, consistent with congressional intent in the CARES act. In addition, the loan forgiveness process is simplified for borrowers with PPP loans of \$150,000 or less. Unspent funds totaling \$138 billion will be reinvested in the PPP program.

INVESTING

2020 Last Minute Year-End Tax Strategies for Your Stock Portfolio

If you have lots of realized capital losses or capital loss carryovers and the \$3,000 allowance is looking extra tiny, sell additional stocks, rental properties, and other assets to create offsetting capital gains.

If you sell stocks to purge the capital losses, you can immediately repurchase the stock after you sell it – there's no wash-sale "gain" rule.

Unemployment Benefits are Taxable

If you received unemployment benefits in 2020 and did not have withholding taxes deducted, there is a good possibility that you will have a smaller refund, or even a balance due when your taxes are prepared.

But the good news...the second COVID-19 relief bill enhances unemployment benefits by \$300 per week through March, and allows an additional 13 weeks of unemployment benefits for those that have exhausted their regular state benefits.

FAMILIES

Did You Hire a Nanny? (Or Other In-Home Worker?)

Many people forced to work from home this year hired in-home help. If you paid someone directly \$2,200 or more during the year, you are legally required to withhold "Nanny Taxes." Nanny taxes are Social Security & Medicare (FICA) taxes; 7.65% should be withheld from the employee and this is matched by the employer for a total of 15.3%. Schedule H will be required on your tax return to report these wages and taxes. NOTE: Payments through a service provider are not considered direct payments.

In addition, if you pay more than \$1,000 in any calendar month, you may be required to report and pay federal and state unemployment taxes. There are exceptions if the employee is a) your spouse, b) your parent (with some exceptions), c) your child under 21, or d) a minor under the age of 18, unless the minor's principal occupation is the service they're providing and they're not a student. Call our office if you have questions.

ALL TAXPAYERS

Working from Home May Trigger Taxes in a Second State

For those who have been working from home in a different state than where their employer is located may find they have a filing requirement in a second state.

In general, states will tax a resident's worldwide income. A resident is generally someone who is domiciled in that state. A taxpayer can only be domiciled in one state at a time.

If a nonresident earns income in that state, the nonresident is taxed only on his or her income earned in that state. The taxpayer can then claim a tax credit on his or her home state's tax return for taxes paid to the nonresident state.

RETIREMENT

The Secure Act

In December 2019 Congress passed The Setting Every Community Up for Retirement Enhancement Act (the SECURE Act). The legislation may affect how you will be able to plan for your retirement years.

The following are some of the key provisions of the SECURE Act.

1. Repeal of the maximum age for traditional IRA contributions: prior to 2020, traditional IRA contributions were not allowed to be made once the taxpayer had reached the age of 70 ½. The new rules, which started January 1, 2020, allow an individual of any age to make contributions to a traditional IRA as long as they had earned income from wages or self-employment.
2. The age for the required minimum distribution (RMD) from an IRA or qualified plan was raised from age 70 ½ to age 72. Eligible individuals are those who reach age 70 1/2 after December 31, 2019. (Note: the CARES Act eliminated the RMD for 2020 so all required distributions were pushed back one year.)
3. Expansion of the Section 529 Education Saving Plan now covers registered apprenticeships and distributions to repay certain student loans. Student loans of up to \$10,000 for either the designated beneficiary or a sibling of the designated beneficiary can be paid from the Education Saving Plan.
4. Penalty-free retirement plan withdrawals for expenses related to the birth or adoption of a child up to \$5,000 per taxpayer so a couple would be eligible up to \$10,000.

DISCLAIMER

Material presented in this newsletter is intended for information purposes only. It is not intended as professional advice and should not be construed as such. The U.S. Treasury Department requires us to inform you that any information obtained from this newsletter is not intended or written to be used, and cannot be used by any taxpayer for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code. Advice from Veritas Tax Solutions relating to Federal tax matters, may not be used in promoting, marketing or recommending any entity, investment plan or arrangement to any taxpayer.

Coronavirus Aid, Relief, and Economic Security (CARES) Act - Update

- Economic Income Payment (EIP) of up to \$1,200 per individual and \$500 per child which are tax-free to the individual. The payment is reconciled on the 2020 income tax return. Taxpayers who did not receive the EIP, or were limited due to income reported on the 2018 or 2019 tax return, may be eligible to receive a refundable credit with the filing of their 2020 income tax return.
- **A second Economic Impact Payment of \$600** will automatically be sent to every person with a work-eligible Social Security number, who is not a dependent of another person, and doesn't exceed income thresholds. More details as they come available.
- The early distribution penalty of 10% (for those withdrawals before the age of 59 ½) from an IRA or qualified plan is waived for coronavirus-related distribution up to \$100,000.
- If you do not itemize, you can claim up to \$300 in charitable donations on the tax return. The donation does not have to be to a coronavirus related charity.

Veritas Tax Solutions - Privacy Policy

We collect non-public information about you from the following sources:

- Information we receive from you.
- Information about your transactions with us or others (i.e., financial institutions).
- Unless directed by you, we restrict access to your personal and account information to our staff. Without your permission we do not disclose any non-public personal information about you to anyone, except as mandated by law --- for example, when subpoenaed by a court. By law, this permission must be in writing and in a specific format.
- We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your non-public personal information. Our policy applies to all current and former clients.



Converting Expertise Into Solutions

Veritas Business Solutions

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