

December 16, 2020

Re: Year-end letter for individuals

Dear Valued Client,

As we wrap up 2020, year-end tax planning has never been more crucial. This year brought challenges and disruptions that significantly impacted your personal and financial situations – COVID-19, economic relief measures, new tax laws and political shifts. Now is the time to take a closer look at your current tax strategies to make sure they are still meeting your needs and take any last-minute steps that could save you money.

We're here to help you take a fresh look at the health of your tax and financial well-being. Please contact us at your earliest convenience to discuss your tax situation so we can develop a customized plan. In the meantime, here's a look at some issues to consider as we approach year-end.

## **Key tax considerations related to COVID-19**

Many tax provisions were implemented under the Coronavirus Aid, Relief and Economic Security (CARES) Act aimed to help individuals and businesses deal with the COVID-19 pandemic and its ongoing economic disruption.

### Economic impact payment (EIP)

Eligible individuals received a payment of \$1,200 (\$2,400 for joint filers) plus \$500 for each qualifying child, with payments phased out based on adjusted gross income. The payments are treated as advance refunds of a 2020 tax credit. If you received an EIP, you should have received IRS Notice 1444, *Your Economic Impact Payment*. Keep this for record-keeping purposes.

### Charitable deductions

Reviewed Nov. 6, 2020

93 MacCorkle Avenue, SW  
South Charleston, WV 25303

Phone: (304) 744-4500

Fax: (304) 400-4507

Website: [www.gianolaharmoncpa.com](http://www.gianolaharmoncpa.com)



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Unique to 2020, individuals who do not itemize their deductions can take an above-the-line charitable deduction of up to \$300. Such contributions must be made in cash and made to qualified organizations.

### Retirement accounts

You can take up to \$100,000 in coronavirus-related distributions from retirement plans through the end of the year without being subject to the 10% additional tax for early distributions. Additionally, required minimum distributions (RMDs) are temporarily suspended for 2020. If your retirement assets have taken a hit, not having to take an RMD may allow those assets to recover some value before you liquidate them.

### **State tax obligations related to teleworking arrangements for employees**

As the COVID-19 outbreak continues, many employers are encouraging or requiring their employees to work from home (i.e., telework). Such remote working arrangements could potentially have tax implications that should be considered.

### **Fraudulent activity remains a significant threat**

Our firm takes security seriously and we think you should as well. Fraudsters continue to refine their techniques and tax identity theft remains a significant concern. Beware if you:

- Receive a notice or letter from the Internal Revenue Service (IRS) regarding a tax return, tax bill or income that doesn't apply to you
- Get an unsolicited email or another form of communication asking for your bank account number or other financial details or personal information
- Receive a robocall insisting you must call back and settle your tax bill

Make sure you're taking steps to keep your personal financial information safe. Let us know if you have questions or concerns about how to go about this.

### **The Affordable Care Act (ACA) and your taxes**

The U.S. Supreme Court is expected to rule on the constitutionality of the ACA in 2021. Though many questions remain, the penalty that the ACA imposes on individuals who do not have health insurance was repealed. However, other aspects of the ACA are still in place. Contact us if you have questions about how this affects you.

### **Importance of retirement planning**

We recommend you review your retirement situation at least annually. That includes making the most of tax-advantaged retirement saving options, such as traditional IRAs, Roth IRAs and company retirement plans. It's also advisable to take advantage of health savings accounts that can help you reduce your taxes and save for your future. We can help you determine whether you're on target to reach your retirement goals.

### **Virtual currency/cryptocurrency**

Virtual currency transactions are becoming more common. There are many different types of virtual currencies, such as Bitcoin, Ethereum and Ripple. The sale or exchange of virtual currencies, the use of such currencies to pay for goods or services or holding such currencies as an investment generally has tax consequences. We can help you understand those consequences.

### **Year-end planning equals fewer surprises**

There are many other opportunities to discuss as year-end approaches. And, many times, there may be strategies such as deferral of income, prepayment of expenses, etc., that can help you save taxes. We are here to help.

Whether it's working toward retirement or getting answers to your tax and financial questions, we're here for you. Please contact our office today at (304)744-4500 to set up your year-end review. As always, planning ahead can help you minimize your tax bill and position you for greater success.

Sincerely,



Steven Harmon, CPA