

ANDES, ERNST & BLACKMER INCOME TAX

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All clients must provide the amount of Stimulus (Economic Impact Payment) received.

The stimulus checks are **not** taxable. If you did not receive a stimulus check, there is a reconciliation on the 2020 Tax Return that will allow you to claim the payment **if** you qualify. The IRS will be mailing Notice 1444 out with each payment. Please bring this letter in with your tax documents or refer to your bank statements and have an exact number ready at the time of your Appointment or Drop Off. **Again, we will need to know the exact amount of your stimulus to complete your return.**

Unemployment Benefits

Unemployment benefits ARE taxable income, including the extra Federal \$600 per week if you received it. If you received unemployment compensation, you should receive a Form 1099-G showing the amount you were paid and any federal income tax you elected to have withheld. Some states do not mail this form. If you do not receive one by mail, go to your state's website and download the electronic version.

Educator Expenses

If you are an eligible educator, you can deduct up to \$250 (\$500 if married filing jointly and both spouses are eligible educators, but not more than \$250 each) of unreimbursed classroom expenses. Personal Protective Equipment (PPE) used for the prevention and spread of COVID-19 will be treated as a deductible expense.

Charitable Contributions

Taxpayers who do not itemize deductions can deduct up to \$300 per return for cash or check donations made to qualified charitable organizations.

Premium Tax Credit (health insurance):

There is still no penalty for not having health insurance. Be sure to bring in your form 1095-A if you have coverage through healthcare.gov.

Child Tax Credit

For tax years 2020 through 2025, the child tax credit is \$2,000 per child. The refundable portion of the credit is \$1,400 so that even if taxpayers do not owe any tax, they can still claim the credit. A \$500 nonrefundable credit is also available for dependents who do not qualify for the Child Tax Credit (e.g., dependents age 17 and older).

Rollover of Flexible Spending Accounts (FSA)

Taxpayers can carry over amounts in their FSA to 2021 (from 2020), and then again into 2022 (from 2021). This covers both healthcare and dependent care FSAs.

Withdrawals due to COVID-19:

- The 10% early withdrawal penalty from qualified retirement accounts is waived for distributions of up to \$100,000 if a withdrawal from a retirement account is for a coronavirus-related distribution. A “coronavirus-related distribution” is defined as a distribution made to an individual: (1) who is diagnosed with COVID-19, (2) whose spouse or dependent is diagnosed with COVID-19, or (3) who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned by the individual due to COVID-19.
 - The income/tax from a coronavirus-related distribution may be spread over 3 years.
 - If your circumstances improve, the law says that you can redeposit the money you took out back into your retirement account as a rollover contribution within three years. Then, you would have to amend your tax return(s) to get the taxes back that you paid on the withdrawal.
 - Required minimum distributions (RMDs) for certain defined contribution plans and IRAs for calendar year 2020 have been waived. This provision provides relief to individuals who would otherwise be re- quired to withdraw funds from such retirement accounts.

KCMO Earnings Tax

Many non-resident KCMO wage earners who have typically driven to their KCMO work location and had KC E tax withheld from their paychecks are now working from home (non-KCMO location) and the E Tax is still being withheld from their paychecks. You may be entitled to a refund from Kansas City. I will need the contact information for your supervisor/payroll department: name, phone number or email address. I will also need the number of days that you worked outside the city limits of Kansas City, MO.

Virtual or cryptocurrency (Bitcoin etc.)

Do I need to file cryptocurrency taxes?

Yes, you need to report cryptocurrency on your tax return. This does not necessarily mean that you will *owe* any tax. If all you did was hold, you will not owe any taxes on your crypto - but the IRS still wants to know.

How do cryptocurrency taxes work?

Cryptocurrency is treated as property, not currency, for tax purposes. Cryptocurrency is taxed as income if it is received through mining, in an airdrop, or as payment for goods and services. Proof-of-stake rewards are also considered income. In this case, you need to find the fair market value of the coins (in USD) when you received them and count that amount toward your gross income. Selling, exchanging, and spending crypto are all taxable events and must be reported to the IRS. The tax you owe is based on your capital gains and losses.

Identity Protection PIN Available to All Taxpayers

Starting in January 2021, the IRS Identity Protection PIN Opt-In Program will be expanded to all taxpayers who can properly verify their identity. Previously, IP PINs were only available to identity theft victims.

What is an Identity Protection PIN?

An identity protection personal identification number (IP PIN) is a six-digit number assigned to eligible taxpayers to help prevent their Social Security number from being used to file fraudulent federal income tax returns. This number helps the IRS verify a taxpayer's identity and accept their tax return. Taxpayers with either a Social Security Number or Individual Tax Identification Number who can verify their identity are eligible for the program and the number is valid for one year. Each January, the taxpayer must get a new one.

How to get an IP PIN

The preferred method of obtaining an IP PIN - and the only one that immediately reveals the PIN to the taxpayer - is the *Get an IP PIN* tool located on the IRS website. The tool is available starting mid-January 2021 and uses Secure Access authentication to verify a person's identity. If you are unable to pass the Secure Access authentication, you can complete form 15227 if your income is less than \$72,000 and mail or fax to the IRS. If you are ineligible to file Form 15227 you should make an appointment for in-person identity verification at an IRS Taxpayer Assistance Center and bring two forms of picture identification.

What else taxpayers need to know before applying:

- The IP PIN must be entered correctly on electronic and paper tax returns to avoid rejections and delays.
- Any primary or secondary taxpayer or dependent can get an IP PIN if they can prove their identity.
- Taxpayers who want to voluntarily opt into the IP PIN program do not need to file a Form 14039, *Identity Theft Affidavit*.
- The IRS plans to offer an opt-out feature to the IP PIN program in 2022.

Confirmed victims of tax-related identity theft

For confirmed victims of tax-related identity theft, there is no change in the IP PIN Program. These taxpayers should still file a Form 14039, *Identity Theft Affidavit* if their e-filed tax return is rejected because of a duplicate SSN filing. The IRS will investigate their case and once the fraudulent tax return is removed from their account, they will automatically receive an IP PIN by mail at the start of the next calendar year.

IP PINs will be mailed annually to confirmed victims and participants enrolled before 2019. For security reasons, confirmed identity theft victims cannot opt-out of the IP PIN program. Confirmed victims also can use the IRS *Get an IP PIN* tool to retrieve lost IP PINs assigned to them.

As a reminder, taxpayers should never share their IP PIN with anyone but their tax provider. The IRS will never call to request the taxpayer's IP PIN, and taxpayers must be alert to potential IP PIN scams.

Thank you and let us know if we can help in any way.

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