Kelley's Accounting & Tax Service, Inc.

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January, 2021

Dear Client,

I know it doesn't seem possible, but it's tax preparation time again!! 2020 is finally over!!!

This year our letter is designed to give you the guidance for the information we need to prepare your **2020** Income Tax Return. **Due to Covid-19 we will be following all precautions to keep you and our staff as safe as possible. We will follow all current guidelines for distancing and masks. We are strongly encouraging you to mail in your tax return information or to drop it off at our front desk. Please include a copy of our worksheet with your tax information. We will take appointments on a very limited basis and only if absolutely necessary. We are requesting everyone to try to have their tax information in as soon as possible.**

- **Most of you received a "Stimulus Check" this year. You should receive a notice from the IRS showing the amount of the check that you received. We will need a copy of that Form 1444. We have to reconcile it on your 2020 Tax Return. It is not taxable. We will reconcile it to make sure that you are not due any additional "Stimulus" payment for 2020. If you received more than you should have, you do not have to pay this amount back. Please include a copy of that Notice 1444 with your tax information. If you got the 2nd stimulus check in January of 2021 we also need that amount and the Notice 1444-B that you receive.**
- **Many of you may have received Unemployment Compensation during 2020. We will need a copy of the notice sent out by the Unemployment Compensation department showing the Taxable amount of Unemployment Compensation that you received. You can download this statement by going into your Unemployment account online.**
- Please include all W-2's, 1099s, 1098s, K-1's, Social Security Statements, and any other items of income. It is not necessary that we see all of your receipts for expenses, but you need to keep them in case of an audit.
- If you have Education expenses we need the **1098-T** from the school and proof of payment of tuition, books, and supplies. We also need to know what academic year the student is in school as this affects the credits. (Ex: 1st year Freshman, 2nd year Sophomore, 3rd year Junior, 4th year Senior, Graduate courses)
- If you file Head of Household we will need verification of the ability to claim a dependent child or dependent parent, and verification that you are considered unmarried and that you provide more than half the cost of keeping up a home. (Proof can be doctor bills, school records, child care exp., rental or mortgage payments)
- If you are due a refund and want the refund directly deposited to your checking or savings account, we will need a voided, blank check or savings deposit form.
- If you had your health insurance through the Marketplace you will need to provide us with the statement you receive from them. This is the 1095-A Health Insurance Marketplace statement.
- If you were self-employed and were out of work due to being quarantined, caring for a quarantined family member, or unable to work due to caring for a child because of daycare closings or school closings, we need the number of days related to each of those occurrences.
- **We will need a copy of your (and your spouse) current Driver's License.**

Many of you will benefit from the higher standard deduction on your Federal Tax Return and not itemize, but please fill out the itemized worksheet because the majority of you will benefit from itemizing on your State Tax Return.

A few of the 2020 Tax Changes for Individuals:

Charitable Contributions: ***This year there is deduction of a maximum of $300 for contributions made if you don't itemize. This deduction is only allowed for non-itemizers, and a receipt is required.***

Standard Deduction has been increased:

Single - $12,400 Head of Household - $18,650 Married Filing Jointly - $24,800
Married Filing Separately - $12,400 Additional for over 65 and/or Blind - $1300 or $1650

The ability to itemize deductions is still dramatically decreased because the new law provides a much, much larger standard deduction. (You are allowed to deduct the greater of the two). **However, we still need for you to fill out the worksheet for your deductions on your medical, tax, mortgage interest, charity and other deductions in order to complete your State Tax Returns.**

Personal Exemptions: There is no additional deduction for exemptions.

Child Tax Credit: The credit is still $2000 per qualifying child.

Foreign Accounts: If you have an account, retirement account, or business interest with a value over $10,000 in a foreign country or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Alimony: For any divorce or separation agreement executed **after Dec. 31st, 2018**, alimony and separate maintenance payments are not deductible by the payee, nor includible in income by the recipient.

Miscellaneous Itemized Deductions: Deductions for miscellaneous items such as investment expenses, tax prep fees, and unreimbursed employee business expenses (Ex: Union dues, uniforms, tools, travel, and meals) are not deductible on your Federal Tax Return. **But we still need the information for your state return as they are still deductible if you itemize on the state return.**

Mortgage Insurance Premiums: (This is insurance on your mortgage not insurance on your home)
This deduction has been reinstated

Individual Retirement Accounts (IRA)

- Starting in 2020, the age for required minimum distributions will be raised from 70.5 to age 72.
- Starting in 2020, the age limit to make contributions to IRA's is removed if you are still working.
- The limit for an IRA contribution is $6000, ($7000 if age 50 or older).

You may drop off your tax information, **along with the completed worksheet, all necessary forms, and a copy of current Drivers License for all taxpayers,** and leave it with one of our staff. **We will begin Electronic Filing on the first day that IRS will start accepting returns. We can prepare your return as soon as you have the information to us.**

Parking is available behind our office. Please come in our back door and go to our front counter.

We are a full service, year-round accounting firm, available to you when and if you need us for tax planning or tax problems all throughout the year. We have been in business for over 40 years and our staff is the same capable and qualified staff that you are used to dealing with in the past. We have had, and will continue to have, a reputation for accuracy, quality, and discretion. We are confident that the E-File Program ensures a speedier, safer, and more accurate filing of your tax return.

Sincerely,

Kelley's Accounting & Tax Service, Inc.