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Dear Client,

It's tax preparation time again!!

This year our letter is designed to give you the guidance for the information we need to prepare your **2021** Income Tax Return. **Due to Covid, we will still be following all precautions to keep you and our staff as safe as possible. 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 be taking appointments on a limited basis and when necessary.

- **Most of you received a “Stimulus Check” this year. You should receive a notice from the IRS showing the amount that you received. We will need a copy of that Form 1444. We have to reconcile it on your 2021 Tax Return. We will reconcile it to make sure that you are not due any additional “Stimulus” payment.**
- **Many of you may have received the Advance Child Tax Credit that was paid July – Dec. 2021. You should receive an IRS Letter 6419 showing the amount that you received. We need this letter to reconcile what you received, and compare it to the total Child Tax Credit that you are due.**
- If you received Unemployment Compensation during 2021, we will need a copy of the notice sent out by the Unemployment Compensation department showing the amount of Unemployment Compensation that you received. You can download this statement by going into your Unemployment account online. All Unemployment Compensation for 2021 is fully taxable on the Federal return.
- Please include all W-2's, 1099's, 1098's, 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 received any letters or notices from either the IRS or the State during the year please include these.
- 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)
- 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.
- 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 2021 Tax Changes for Individuals:

Virtual Currency: The very first question on this year's tax return is: "At any time in 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency?" If your only transactions involving virtual currency during 2021 were purchases of virtual currency with real currency, then you will answer NO to this question.

Charitable Contributions: This year there is a deduction of a maximum of \$300 (\$600 for married filing joint) for charitable cash contributions made. This deduction is only allowed for non-itemizers, and a receipt is required.

Child Tax Credit: For 2021, the child tax credit is up to \$3600 for a qualifying child from birth to under age 6, and up to \$3000 for a child age 6 to under age 18. You may have received up to one half of this credit amount when it was paid monthly from July-December of 2021. We have to reconcile the advance payment with the amount that you actually are entitled to based on your 2021 Tax Return. You should receive IRS letter 6419 which states how much advance tax credit you received and you need to include that with your tax information. If not, be prepared to tell us the exact amount that you received in Advance Child Tax Credit for each child.

Child & Dependent Care Credit: This credit is greatly increased and fully refundable. The credit is up to \$8000 for one qualifying individual and up to \$16,000 for two or more qualifying individuals. There are limitations on this credit for higher income taxpayers.

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.**

Individual Retirement Accounts (IRA)

- Starting in 2020, the age for required minimum distributions was raised from 70.5 to age 72.
- Starting in 2020, the age limit to make contributions to IRA's was removed if you have earned income.
- 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 41 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.