

Kathleen E. Sweeney, CPA

PO Box 1259, 44 Plymouth Street
Center Harbor, NH 03226
Phone: (603) 253-4011

PO Box 1187
N. Conway, NH 03860
603-356-7036

E-Mail: ksweeney@metrocast.net

All organizers will be sent electronically in mid-January. If you would like a paper copy, please call the office and request it. We will either mail it or you can pick it up. The staff is available during our regular office hours of 8:00 am to 4:30 pm, if you have any questions. Carm is in Center Harbor and Debbie is in North Conway.

Tax Data Reminder

When you bring in your tax data, please make sure we have the following:

- Current address, phone number, email address and date of birth of all eligible dependents.
- W-2's, 1099-INT, 1099-DIV, 1099-MISC, 1099-B, 1098, 1098-T and 1099- NEC
- Booklets that you may have received from your brokerage firms with the year-end realized gains & losses statement. Additionally please provide us with any papers you receive that indicate tax documents.
- Please include a copy of a voided check from that account that you wish to use for payment or refund of the taxes. .

Retirement Plans

Contributions to your retirement accounts for 2020 and 2021 are listed below:

Deferral Limits for Plans	2020	2021
401(k), 403(b), 457	\$19,500	\$19,500
SIMPLE	\$13,000	\$13,500
Traditional IRA	\$6,000	\$6,000

Catch-up Contributions for Participants Age 50 or Older

401(k) Plans	\$6,500
SIMPLE Plans	\$3,000
Traditional IRA	\$1,000

IRA Contribution Limits

The income limits affecting whether contributions to Traditional IRAs are deductible, and whether contributions to Roth IRAs can be made, are indexed to inflation.

As a reminder, Traditional IRAs allow you to deduct the amount of your contribution under certain circumstances, but your contributions and earnings are taxable when you withdraw them in retirement. Roth IRAs offer no deductions, but earnings are tax free when withdrawn in retirement. Along with the increase in IRA contribution amounts over the past few years, the Pension Protection Act makes permanent the higher contribution levels for other retirement plans, including 401(k) plans, SEP IRAs, and SIMPLE IRAs.

Roth Conversion

There is still no longer an income limit for taxpayers who want to convert regular IRAs into Roth IRAs. Anyone can convert money from a 401(k) plan or Traditional IRA to a Roth IRA, regardless of his or her income.

Saver's Credit

The Saver's Tax Credit allows certain taxpayers, depending on their adjusted gross income to claim a tax credit for contributions made to an IRA or an employer-sponsored retirement plan. The maximum credit that can be applied is up to \$1,000 for an individual or up to \$2,000 for a couple filing jointly.

Long Term Capital Gains

The tax rate on qualifying long-term capital gains and dividends is either zero percent, 15 percent or 20 percent as of 2019, depending on your income.

Capital Losses

You may deduct capital losses dollar for dollar against your capital gains. An additional \$3000 of capital loss is deductible against your other income. You may carry forward any unused capital losses for deduction on later tax years, subject to the same restrictions.

“Kiddie Tax”

The tax for children up to the age of 18 and students with investment income of more than \$2,100 is figured at the rates that apply to trusts and estates.

A dependent is a child who is 18 or younger at the end of the current year (or under age 24 if a student) and was in school for at least 5 months.

Relatives who qualify as dependents must have had more than half their support provided by you and must be related to you or have lived in your household for the entire year.

Standard Mileage Rates for 2020 and 2021

Business	57.5cents per mile	Not yet set
Medical / Moving	17 cents per mile	17 cents per mile
Charitable	14 cents per mile	14 cents per mile

When using the standard mileage rate, be sure to keep track of parking fees and tolls. They represent an additional deduction

If you have a car loan for a vehicle used in business, the loan interest is deductible to the extent of the business use. An employee's auto loan is nondeductible even if the car is used for business.

Remember, you have the option of keeping track and using standard mileage rates **OR** depreciating your vehicle and using the actual expenses: Tires, gas, oil changes, insurance, registration, repairs and maintenance based on the percentage of business use.

Charitable Contributions

The rules regarding charitable contributions have been tightened. The IRS will now allow a taxpayer to deduct cash contributions to charities only if the taxpayer has a bank record or written document from the charity evidencing the contribution was not in exchange for any goods or services. Donations of clothing and household items must be in at least "good used condition" to qualify for a charitable income tax deduction. If the amount exceeds \$500.00 then the actual receipts must be provided to allow us to fill in the additional forms required to take the deduction. The hours that you volunteer are not tax deductible although out of pocket expenses are. These expenses include lodging, meals, travel and transportation cost associated with traveling away from home on behalf of a charity. Gas, oil and other unreimbursed auto expenses incurred while performing services for a charity or 14 cents per mile plus tolls and parking and expenses associated with entertaining others on behalf of a charity may also be deducted.

The Cares Act passed in 2020 will allow for a one-time \$300 deduction off the front of your return for charitable deductions if you follow the guidelines.

Paying for College

Scholarships may be tax free provided the student is a candidate for a degree. The funds must be used for tuition and fees required for enrollment or for course-related fees, books, supplies and equipment. Scholarships spent on room, board, travel and other

expenses are taxable as are scholarships that represent payment for teaching, research or other services.

Up to \$2,500 of **interest** paid on qualified higher education loans is deductible. (Limited to interest paid the first 60 months of repayment). The interest deduction is phased out for higher income tax payers.

The deduction for tuition and fees is no longer available.

Health Coverage for Older Children

- ❑ Health coverage for an employee's children under 26 years of age is now generally tax-free to the employee. These changes immediately allow employers with cafeteria plans — plans that allow employees to choose from a menu of tax-free benefit options and cash or taxable benefits — to permit employees to begin making pre-tax contributions to pay for this expanded benefit.

Health Savings Accounts (HSAs)

- ❑ **Eligibility.** A qualifying high deductible health plan (HDHP) must have a deductible of at least \$1,400 for self-only coverage or \$2,800 for family coverage. The out of pocket expenses \$6,900 for self-only coverage and \$13,800 for family coverage for 2020. (This limit does not apply to out-of-network services.)
- ❑ **Employer contributions.** Contributions to the HSA are exempt from federal income tax withholding. For 2020, the IRS has set the following Annual Contribution limits for 2020 are Single \$3,550 and Family \$7,100 and for **2021** Single \$3,600 and Family \$7,200. You can add \$1,000 for a catch-up contribution.

Increased Standard Deduction

Single/married filing separately: \$12,400

Married or Qualifying Widow or Widower: \$24,800

Head of Household: \$18,600