

CHECKLIST OF ITEMS THAT MAY AFFECT YOUR 2020 TAX RETURN

2020 Tax Year Changes & Reminders

- Recovery Rebate Credits:
 - **Economic Stimulus Payments** are not taxable but we need to know the exact amounts received (including \$ 0) for both the 2020 payment and the early 2021 payment. If you did not receive the payment or received a pro-rated amount due to your income, you may be eligible to take a credit on the 2020 return.
- **Required Minimum Distribution (RMD)** were waived for TY 2020. Many taxpayers took the opportunity to rollover RMDs taken earlier in the year. If you took this opportunity, please indicate the amount rolled back. The 1099-Rs will show the entire amount distributed and will NOT indicate the amount rolled back. Include Form 5498 with your return; this form shows the rollover.
- **Retirement Plan Early Distribution Penalty Waiver.** Early withdrawal penalties were waived for early distributions of up to \$ 100,000.00 from IRAs and qualified retirement plans (i.e., 401(k) plans) as long as the distribution was made during 2020 and was made for coronavirus-related purposes. Income attributable to these distributions are subject to tax over 3-years and can be recontributed by the employee within 3 years of receipt.
- **Paycheck Protection Program (PPP loans).** If your business received a PPP loan and it was forgiven, the proceeds are not considered income and some expenses paid with loan proceeds MAY still be deductible.
- **Unemployment Income.** Many taxpayers received unemployment income in TY 2020 including Pandemic Unemployment assistance. This is taxable income. Be sure to include your 1099-G from the state where you received your unemployment. You may have to download this form from the unemployment website.
- "Above the line" **charitable donations.** If you do not itemize and you gave cash contributions, you are allowed a deduction of those donations, not to exceed \$ 300.00.
- Expiring provisions that have been extended for TY 2020:
 - **Tuition and Fees** above-the-line deduction.
 - **Mortgage insurance premium** deduction.
 - **Medical Expense** deduction threshold 7.5%.
 - Exclusion/discharge of **qualified residence indebtedness** from gross income
 - Personal **energy property credit** (lifetime cap of \$ 500)
- Refunds in 2020 may have included **interest from the IRS** due to the extension of the tax deadline. This interest income is taxable. IRS will send a 1099-INT.
- New Tax Form **1099-NEC** (non-employee compensation). Starting in tax year 2020, non-employee income will be reported on Form 1099-NEC vs. 1099-Misc. Be sure to include this form with your tax materials,

2020 Federal Key Amounts

2020 Standard Mileage Rates:

- Business: \$ 0.575/mile
- Medical & Moving: \$ 0.17/mile
- Charitable: \$ 0.14/mile

2020 Standard Deductions:

- Single or MFS: \$ 12,400.00
- MFJ or QW: \$ 24,800.00
- HOH: \$ 18,650.00
- If blind or age 65 or older, additional deduction per event:
 - MFS, MFJ or QW: \$ 1,300.00
 - Single or HOH: \$ 1,650.00

Personal & Dependent Exemptions:

- \$ 0.00

Personal Data/Helpful Information

- Birth dates of taxpayers *(if new client)*.
- Copy of last year's return *(if new client)*.
- Name, social security number and dates of birth for **new dependents**.
- Driver's License, include a readable copy of the front and back of your **Driver's License or Non-Driver ID**.
- Changes to **marital status** or **address** during 2020.
- Permanent or total **disability** or **blindness** for taxpayer or spouse.
- Copy of any notices received from IRS or State.
- Direct Deposit of Refunds or direct withdrawal of amounts due:** account #, routing #, bank name, checking or savings *(please attach a voided check for checking accounts or a deposit ticket for savings account)*.
- Expected **substantial change** in income, deductions, or dependents for 2021.

Income

- Income from employer — **W-2s**.
- Interest — **1099-INT**.
- Dividends — **1099-DIV**.
- Sale of Securities — **1099-B** *(see Stocks/Mutual Fund sales below)*.
- Annuities, pension, IRA, retirement plan withdrawals — **1099-R**.
 - **For those who are 70 ½ or older, indicate if any of the distributions went directly to Charity (Qualified Charitable Distribution). This will NOT be indicated on the 1099-R. The 1099-R will reflect the total amount distributed.**
- State tax refund — **1099-G** *(NYS no longer mails -- if we did your tax last year, we have that data)*
- Unemployment compensation — **1099-G** *(NYS no longer mails — if you had unemployment, you will need to get the form online) at www.tax.ny.gov*
- Social Security income — **SSA-1099**.
- Commissions/Fees/Non-Employee Income — **1099-MISC/1099-NEC**
- Merchant Card/Third Party Network Payments — **1099-K**.
- Proceeds from sale of real estate — **1099-S** *(see Real Estate below)*.
- Education Savings Account or 529 Plan Withdrawals — **1099-Q**.

- Health Savings Account Withdrawals — **1099-SA**.
- Cancellation of Debt — **1099-A** or **1099-C**.
- Income from partnerships, trusts, estates, or S-Corps — **K-1**.
- Gambling or Lottery winnings — **W-2G**.
- Tip income not reported by your employer.
- Self-employment income *(see Schedule C worksheet)*.
- Jury duty pay.
- Rental Real Estate income or Royalty income *(see Schedule E worksheet)*.
- Other income not reported above.

Health Care Coverage Forms

- 1095-A** — for health insurance coverage in the MARKETPLACE. If you had coverage through the marketplace, **you must provide a copy of the form**. You may have to contact the exchange to get a copy. **The IRS will not process your return if you were issued this form and we don't provide the data from the form on your return.**
- 1095-B** — for private health insurance coverage, *(provide, if received)*.
- 1095-C**--for employer-provided (or offered) health insurance coverage, *(provide, if received)*.

Stocks/Mutual Fund Sales — required information

- Date security was purchased *(usually obtainable from broker or on 1099-B)*.
- Purchase price *(cost-basis) (usually obtainable from broker or on 1099-B)*.

Real Property

- Sales or purchases of real property in 2020, provide **Closing Statement/Closing Disclosure**.
- For purchases of principal residence any time from April 9, 2008 to Dec 31, 2008 with the **first-time homebuyer credit**, you will continue to make your \$ 500.00 repayment (“recapture”) of this credit on your 2020 tax return. The credit is paid back over 15 years, and is interest-free. If the home is sold or is no longer your principal residence, the entire credit is recaptured in that year, **not to exceed the gain**, if any, on the sale. IRS has a tool that allows taxpayers to find the amounts remaining to be paid (irs.gov and search “first-time homebuyer credit account lookup”).
- Rental real estate**, provide rental income and expenses *(see Schedule E worksheet)*.
- Real estate taxes** for principal residence and other real property *(vacation homes, vacant land)*.
- Mortgage interest**; points paid; and mortgage insurance premiums. *(Usually reported on 1098)*.

Education — Teachers and Students

- Teachers/Educators** — provide out-of-pocket classroom costs.
- Student Loan Interest** paid *(reported on 1098-E) (Please note that these are usually available online and are not typically mailed)*

- College Tuition/Expenses** for taxpayers and/or dependents. Please provide the **year of school** (i.e. freshman, graduate school, etc.) and the **1098-T**. This will be in the name of the student, but if the student is a dependent, it should be included with the parent/guardian return. If available, in addition to 1098-T, also provide a transcript/receipt from school showing tuition paid. **Please note that we must have a copy of the 1098-T in order to take the credit this year. If you did not receive the form, please contact the school or check online.**
- Interest on Savings Bonds** redeemed by a taxpayer in order to pay for qualified education expenses may be excluded from income.
- 529 Plan Contributions** (up to \$10,000.00 for MFJ) **are deductible** on **NYS** returns, provided the contribution is to a **NYS 529 plan**. Please provide the statement showing the contribution so we can determine if it is deductible.
- Education Savings Account** or **529 Plan Withdrawals** (usually reported on **1099-Q**).

Itemized Deductions (used if higher than standard deduction—you may no longer need to gather this information with the higher standard deduction):

- Medical/Dental Expenses**, including health insurance, long-term care insurance premiums paid, medical mileage, co-pays to doctors, etc. Medical and Dental expenses are deductible to the extent they exceed **7.5%** of adjusted gross income. (See *Medical Expense Worksheet*).
- State Income Tax Paid** or **Sales Tax**, whichever is greater (for sales tax, you do not have to provide receipts or actual amounts unless you made significant/large purchases (i.e. cars, boats)). (There is now a **\$ 10,000.00 OVERALL LIMIT ON DEDUCTION** for all State, Local and Property Taxes Paid)
- Property Taxes** paid on residence and/or other real estate. (There is now a **\$ 10,000.00 OVERALL LIMIT ON DEDUCTION** for all State, Local and Property Taxes Paid).
- Mortgage Interest; mortgage insurance premiums; points** (Form **1098**) (New tax law limits the deduction of HELOC interest unless the debt is used for that home's improvement or home acquisition.)
- Charitable Contributions** and/or mileage. For cash donations, you must retain for your records the bank record, credit card statement or written communication from the charity. For non-cash items, provide date of contributions, items contributed, and charitable organization name and address. (See *Charitable Expense Worksheet*).
- Casualty or Theft Losses**. Personal casualty losses **no longer deductible** under new law unless attributable to a federally declared disaster.
- Misc. Expenses not subject to 2% AGI**. These include: gambling losses only to the extent of reportable gambling winnings; claims repayments (social security/unemployment repayments).

Child Care Expenses

- Amount paid to childcare provider in order for parent to work or go to school
- Provide care provider's **name, address and tax ID number**
 - If more than one child, amount paid must be separated for each child

Other Deductions/Credits

- Retirement Plans — 2020 limits:**
 - **IRA Contribution limits:** under age 50: \$6,000; age 50 and over: \$7,000.*

- **SIMPLE Deferral limits:** under age 50: \$13,000; age 50 and over: \$16,000.
- **401(k)/403(b) Deferral limits:** under age 50: \$19,000; age 50 and over: \$25,000
- **SEP (self-employed) IRA limits:** 20% of net SE income after ½ SE deduction, not to exceed \$56,000.
- **Roth Contribution limits:** Same as Traditional IRA (but can only do one or the other or a combination up to higher of limit or income earned). Roth contributions are subject to income phase-outs.

**IRA contribution is the lesser of actual compensation or the amounts listed above and deductibility is subject to phase-outs for Modified Adjusted Gross Income if covered by an employer retirement plan. Contribution can be made up to April 15, 2021 for 2020 tax year deduction.*

- Alimony Paid** include recipient's name and social security number. NOTE: Under new law, for divorce decrees/separation agreements executed after 2018, the amounts paid are no longer deductible and the amounts received are no longer reportable as income.
- Long Term Care Premiums** paid during 2020. If married filing joint return, please specify which spouse owns the policy and how much paid for each. If you do not meet the threshold to deduct medical expenses, you may be able to take advantage of the NYS long term care insurance credit. This credit is available to taxpayers with gross income less than \$ 250,000.
- Military.** Indicate if you are a member of the military or a reservist. Many of the tax provisions outlined in the checklist have special rules if member of the military.
- Moving Expenses** for moving due to job change are no longer deductible under new law unless taxpayer is a member of the Armed Forces on active duty.
- Adoption.** Expenses up to \$14,300 per child, associated with the adoption of a child. This is no longer a refundable credit meaning you only receive the credit up to your tax liability unless it is a special-needs adoption. The credit does phase-out based on AGI.
- Estimated/Quarterly Tax Payments** indicate date and amount paid for federal and state. Please note that payments made by January 15, **2021** are for the **2020** tax year and should be included.
- Active Volunteer Firefighter or Ambulance Worker Credit** — A NYS credit. Provide fire department name and address.
- Self-Employment Expenses** (e.g., mileage, home office expenses, insurance, self-employed health insurance, rent, materials, supplies, etc.) (See Schedule C worksheet).
- Health Care Savings Account** — indicate contribution and distribution amounts (1099-SA), and whether made by taxpayer or employer. Also, if distributions are made, indicate if they were made for qualified medical expenses. (Over-the-counter medication is not a qualified medical expense unless specifically prescribed). HSA contributions can be made as late as April 15, 2021 and count for tax year 2020. The contribution (deduction) limits are:
 - **Self-only coverage:** under age 55: \$3,550; age 55 and older: \$4,550
 - **Family coverage:** under age 55: \$7,100; age 55 and older: \$8,100
- Nursing Home Assessment Credit** — A NYS credit. Provide a copy of the nursing home bill showing the amount of the NYS assessment paid for the year.

NYS Taxpayers

NYS has “decoupled” from the federal law meaning:

- NYS itemized deductions will not be subject to \$ 10,000 cap on State and local taxes pd
- NYS will not limit HELOC and mortgage interest
- NYS allows 2% Misc. deductions (unreimbursed employee business expenses; investment advisory fees; tax fees; job search costs, etc.)
- Alimony, regardless of when signed, is deductible and reportable
- Moving expenses are still a deduction for job-related moves
- Medical expenses are subject to 10% of AGI vs. 7.5% for federal
- No 20% qualified business income deduction
- Dependent exemption (\$ 1000 per child)
- 529 plan payments for primary and secondary not permitted on NYS returns (Distribution may trigger a recapture of the tax benefit on the NYS return)

NYS Key Amounts

2020 Standard Deductions:

- Single or MFS: \$ 8,000
- MFJ: \$ 16,050
- HOH: \$ 11,200
- Dependent Filers \$ 3,100

Dependent Exemptions:

- \$ 1000 for each dependent

Worksheets noted throughout this checklist can be found on website www.HighFallsAdvisors.com by selecting “Tax Tools” under the “Client Resources” tab or by calling our office at (585) 935-5300.