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2021 TAX RETURNS

Thank you to all our clients for choosing Commonwealth Tax to prepare your 2021 income tax returns. We appreciate the confidence you place in us.

Although we normally prefer to meet with you to receive your tax documents, this year we ask you send your documents to us via our secure document portal, US Mail, or by drop off to our office. It is important your name, current mailing address, email address and telephone numbers be clearly stated in writing with your documents and that you include a completed tax organizer.

The best way to avoid omission of important information from your tax return is to carefully complete your tax organizer and include it with your tax documents. Tax organizers will be available by mid-January and will be uploaded to the secure document portal. If you have not used the portal before, please give us a call to verify your e-mail address and we will create a portal for you. Tax organizers can be filled in on your computer and returned to us via the portal, so you do not need a computer printer. If you prefer, we will be happy to send you a tax-organizer by US Mail upon request.

We must have a clear copy of your driver's licenses to complete your return. Information from your licenses is required to be entered on your return before we can print it. Overlooking this will delay completion of your return.

USE OUR SECURE DOCUMENT

TRANSFER PORTAL: To increase the security of your sensitive tax documents and fight computer viruses and cybercrime, we use a secure web portal to exchange

documents with you. **We will not accept documents attached to email; they will be discarded without being opened.**

FIGHT IDENTITY THEFT -- FILE EARLY: If a criminal has used your name and social security number to file a false return, your refund may be delayed for a year or more. The earlier you file, the less the likelihood a criminal who has stolen your identity will file before you do. If your identity has been stolen, your e-filed return will be rejected and you will be required to file a paper copy of your return by US Mail.

SAVE MONEY -- FILE EARLY: We offer a **\$25 "Early Bird" discount** on Form 1040 returns to clients who complete their intakes by Saturday, February 19, 2022. Schedule your appointment early and save money!!!

SAVE MONEY -- GET ORGANIZED: We offer a **\$25 discount on Form 1040 tax returns to clients who both receive their tax-organizer by web portal and thoroughly complete it.** We will be happy to send you a tax-organizer by US Mail, but we do not offer the discount for organizers we deliver in paper form.

WHEN YOUR RETURN IS COMPLETE: You may simply drop by to pick it up. If you have questions or concerns about the results you wish to discuss, it is important you schedule a delivery appointment with your preparer to ensure he or she is available to meet with you either by telephone or in person.

ECONOMIC IMPACT PAYMENT #3: We must know the exact amount you received for the third Economic Impact Payment to accurately complete your return. Most people received this payment in April or May 2021. The IRS sent payments to recipients as either

a direct deposit to a checking or savings account, a paper check, or a debit card. Recipients were also sent a letter Notice 1444-C, which was made to look like a letter from "The White House" signed by President Biden. You should include this notice with your tax documents. Taxpayers whose Adjusted Gross Income exceeded the following amounts should not have received EIP #/3: Married Filing Jointly \$160,000, Head of Household \$120,000, and Single \$80,000.

CHILD TAX CREDIT ADVANCE

PAYMENTS: If you claimed a child tax credit on your 2020 return for a child who was under age 18 as of 12/31/2021, you may have received advance payments of child tax credit during the last few months of 2021. If so, you should also receive a Tax Notice Letter 6419 from the IRS which you must include with the tax documents you provide us.

KEY DEADLINE DATES IN 2022:

- January 31 -- provide W-2 forms to household and business employees and 1099-MISC and the new 1099-NEC forms to business non-employee contractors and others. 1099-NEC forms must be e-filed by this date.
- January 31 -- Large employers who provided health insurance to employees must file and deliver IRS Form 1095C to each employee.
- February 28, 2021 -- deadline for paper-filing 1099-MISC Forms.
- March 15 -- S-Corporation (Form 1120S), and Partnership (Form 1065) income tax returns are due.
- March 31 -- deadline for e-filing 1099-MISC Forms.
- April 15 -- C-Corporation (Form 1120), personal (Form 1040), trust and estate (Form 1041) federal income tax returns are due.
- May 16 -- Deadline for non-profit organizations to file Form 990 annual information returns.

EXTENSIONS OF TIME TO FILE:

- If you cannot file your tax return by the due date, you should request an extension of time to file. This is *NOT an extension of the time to pay the tax you owe*. If you expect to owe additional tax with your return, you must make a payment when you file the extension to avoid a late payment penalty.
- If additional tax is due, it is due as of the original due date of the return, not the extended due date. For 1040 returns, tax paid after April 15 is assessed a late-payment penalty.
- It is your responsibility to ensure the full amount of tax due is paid by the filing due date *regardless of whether or not the tax return has been completed and filed*.
- If you plan to have Commonwealth Tax prepare your 2021 income tax return and cannot complete your intake by March 31, please contact us and ask that we request an extension of time to file for you.
- We do not automatically request extensions for prior-year clients who have not contacted us. You must confirm with us that you will engage us to prepare your 2021 tax return and request an extension on your behalf.

LATECOMERS AND EXTENSIONS:

Because it is impossible to determine at the time you bring your tax documents to us when your return can be completed, and to prevent IRS penalties for filing returns late, if your personal tax return intake occurs between April 1 and April 15, we will add a request for extension of time to file to your return after your intake is complete. By doing so, if your return cannot be completed and filed by April 15, it will not be penalized for being late.

TAX RETURNS FOR CHILDREN &

STUDENTS: We highly recommend that you DO NOT ALLOW your dependent children or college students to file their own returns. We should file their returns because the

Affordable Care Act and kiddie-tax rules require information on these returns to be coordinated. Allowing a child to file his or her own return -- particularly a student -- can cost you and your child literally thousands of dollars in Health Care penalties and/or credits. We offer a **\$210 discount** to prepare your dependent children's income tax returns.

**VISIT OUR WEBSITE www.ctaxva.com
FOR UPDATES TO OUR OFFICE HOURS
AND LATE BREAKING NEWS.**

YOU MAY BE REQUIRED TO ISSUE FORMS 1099-NEC OR 1099-MISC BY JANUARY 31: If you are self-employed or operate a Partnership, LLC, or corporation and make payments in the course of your business which total \$600 or more during the year to an individual or to a business that is not a corporation, you are required to issue a Form 1099-NEC or 1099-MISC to those payees no later than January 31. Failure to do so will result in IRS penalties which have been increased substantially. We can prepare the required Forms 1099-NEC and 1099-MISC for you. Please contact our office no later than January 14 with the name, address, tax identification number, and dollar amount paid to each payee. We suggest you make a practice of requiring these payees to give you a completed and signed IRS Form W-9 before you pay them. The W-9 form gives you the information you need from the payee. You may download a copy of IRS Form W-9 from the IRS website www.irs.gov, or from our website, www.ctaxva.com.

HEAD OF HOUSEHOLD FILING STATUS: Tighter rules apply to documenting eligibility to claim this filing status. If you claim this filing status, we will need to re-verify certain details with you each year. Please fill-in all blocks on the tax organizer in the dependents section.

CITY BUSINESS LICENSE TAX RETURNS: We are happy to complete your city business license tax return for an additional fee. Please be sure you specifically call our attention to the city business license tax

return paperwork when you bring in your tax documents because earlier filing deadlines apply to these returns. Do not combine these with your other tax papers for they may be overlooked and your business license return not completed on time.

AFFORDABLE CARE ACT: If you or anyone listed on your tax return was covered by health insurance obtained from www.healthcare.gov, we must have a copy of the Form 1095-A issued by healthcare.gov to complete your tax return. Your return cannot be completed without this document.

HEALTH CARE FOR THE SELF-EMPLOYED: If you are self-employed we need to know how much you paid for health insurance premiums for yourself and your family in order to consider a special tax deduction for you.

YOU MAY NEED TO ADJUST YOUR WITHHOLDING: If you owe a lot of additional tax when your return is filed, that's a sign you're not having enough withheld from your paycheck. You could owe a penalty for not paying enough during the year. If you owe additional tax for 2021, we can do a tax evaluation to help you in 2022; but you must make changes early in 2021 to avoid penalties again next year.

CHARITY: Taxpayers who do not itemize deductions may now deduct up to \$300 (\$600 if married filing jointly) for cash charitable contributions. You must keep a record for ALL charitable deductions claimed in any amount. Any individual contribution over \$250 must also have an acknowledgement letter from the charity and the letter must be dated no later than the date you file your return. The letter must show the date and amount of any individual contribution over \$250 and should also state that no goods or services were received in return for the contribution.

STANDARD vs. ITEMIZED DEDUCTIONS: Although the amount of the standard deduction allowed on the federal return nearly

doubled in 2018, to get the optimum result on your tax return, we must consider itemized deductions on both your federal and Virginia returns when determining whether or not to itemize. If you do not provide us with your itemized deductions, we cannot evaluate this possible tax savings for you.

MORTGAGE INTEREST: Rules for deducting mortgage interest changed significantly in 2018. If you refinance a mortgage or obtain a new mortgage, we must have a copy of the Closing Disclosure, HUD1, or ALTA statement that you received when your loan was closed as well as all Forms 1098 Mortgage Interest Statements for all your mortgage loans.

SOME REFUNDS MAY BE DELAYED: Tax law requires the IRS to hold refunds for all tax returns which claim the Earned Income Tax Credit or Additional Child Tax Credit until at least February 15. The IRS cautions these refunds likely won't be received by taxpayers until the week of March 1 if there are no processing issues with the tax return. Taxpayers who opt to receive their refund via paper check will likely experience much longer delays.

DON'T DELAY: As a result of many tax law changes in the last few years, the complexity of and time required to complete each tax return has increased. The result we experienced last year was more effort and time to gather required information, more time to complete a tax return, longer wait times for refunds, long processing delays by the IRS, and more time to answer questions about IRS

delays and adjustments. It has been ten years since we increased the basic price of a Form 1040 and state tax return. This year most clients will see a \$20 increase in the cost of their personal tax return. We request everyone have their personal tax return information in to us no later than March 21, 2022. We will utilize all our resources to provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount.

TAX PLANNING: The simplest and most effective tax reduction tool for all Americans of all income levels is full participation in retirement plans. To reduce income tax, make sure you maximize your 401(k) deferral if available, or contribute to tax-deductible IRAs.

Check your employee handbook and see what other fringe benefits are available at work and call us if you aren't sure if they will benefit you. Some of the best fringe benefits provided by employers include cafeteria (or Section 125) plans, as well as child care plans and wellness programs.

IRS ACCOUNT TRANSCRIPTS: You may download a record of your account from the IRS website www.irs.gov. Click on "View Your Account" to create your account and download a transcript of your account. We encourage each client to establish a login to his personal account with the IRS now in order to be able to verify information required to complete your tax return. Because of IRS rules, we cannot create this login for you, nor can we access your account on your behalf.

There is no substitute for a carefully completed tax organizer, but as a minimum, please complete this checklist and include it with your tax documents:

Name _____

Mailing address _____
(if different from the address label on this newsletter).

Telephone numbers (cell, home, work) _____

E-mail addresses _____

Did you refinance a mortgage or buy or sell a home? (Include a copy of the Closing Disclosure/ALTA Statement/HUD-1 form for each transaction.) _____

Did you have the authority to sign on any bank or financial account which is located in a foreign country? _____

Did you receive, sell, send, exchange or acquire any form of virtual currency (such as BitCoin) in 2021? _____

Have you renewed or changed your driver's license in the last year? ____ If yes, provide a copy.

Did you receive any Stimulus Payments in 2021? _____ List dates and amounts received.

(Please include a copy of each Notice 1444-C letter from the IRS).

For active duty military, what was the total amount of housing and subsistence allowances you received in 2021? \$ _____

If you received non-taxable VA disability payments, how much did you receive in 2021? \$ _____

Did you purchase health insurance from **www.healthcare.gov**? _____
(If yes, include a copy of Form 1095-A which lists each person covered by this insurance.)

Did you owe any debt that was cancelled or forgiven? _____ (Include Form 1099-C.)

Did you have a Health Savings Account? _____ Was coverage for the entire family, or only one person? _____ (Include Forms 5498-SA and 1099-SA.)

Items to include:

- All Forms 1095-A, -B, and -C proofs of health insurance coverage.
- Form 1099-G for state income tax refunds and unemployment compensation.
- Forms 1099-INT for interest earned.
- Forms 1099-DIV for dividends received from Mutual Funds or stocks you own directly.
- Form 1099-B if you sold any mutual funds, stocks, or bonds.
- Forms 1099-R if you received any distributions from an IRA, 401(k), or other retirement plan.
- Forms SSA-1099 from the Social Security Administration.
- Forms W-2.
- Forms 1099-NEC and 1099-MISC.
- Schedules K-1 from Partnerships, S-Corporations, Estates and Trusts.
- A listing of each Federal or state estimated income tax payment you made for 2021. taxes

Commonwealth Tax
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TAX YEAR 2021

2021

Commonwealth
Tax

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At Commonwealth Tax we treat visitors like guests in our home rather than clients. We hope to offer you a warm and comfortable experience while minimizing your stress as well as your taxes.

We strive to give you the confidence that you have received a great service -- an experience that will encourage you to stay with us. Our visitors usually become valued lifetime friends - and refer us to their friends.

We understand that tax season can be a scary time in people's lives usually caused by lack of knowledge and understanding of what to do all year to prepare for tax time. We will teach you to take proactive planning steps all year long so we can help keep you from having to pay an unnecessarily high annual tax bill.