

January 18, 2021

We are ready to prepare returns now, even though the IRS will not begin accepting them until February 12th this year. Please do not delay getting your documents to us. We can have your return ready to send the minute the IRS is ready, if we have your paperwork before that date.

Due to COVID, and the devastating impact it would have on our ability to prepare returns should it spread through our office, we have made the disappointing decision to not have “live” appointments this tax season. We missed seeing many of you in person last year; but we do have options. We are scheduling virtual appointments where we can see each other via computer while preparing your return, or we can have a phone call to review your taxes either during or after the preparation. As always, we have “drop off” service available.

If you choose a virtual appointment or phone call, please call the office to schedule, just as you have schedule live appointments in the past. We would like to have your documents in hand three days prior to your appointment. Those documents can be sent to us via the secure upload button on our website <https://ebpi.sharefile.com/share/filedrop>; dropped off in our mailbox at any time, or at our door during business hours, or mailed to us. We have simplified our drop off sheet and ask that you fill that out, as well as our letter of engagement, when providing documents to us.

<https://ebpi.com/media/2020%20Engagement%20Letter.pdf>

<https://ebpi.com/media/2021%20dropp%20off%20sheet.pdf>

Economic Impact Payments

The IRS made economic impact payments (EIPs) to certain taxpayers. The eligibility for and the amount of an EIP generally depended on the taxpayer’s 2019 federal income tax return. If one wasn’t filed at the time of eligibility, the IRS used the taxpayer’s 2018 federal income tax return information. If you received an EIP, the IRS mailed a Notice 1444 to your last known address. That form shows the amount of your EIP. We will need this notice to prepare your

taxes. If you didn't keep the letter, please let us know the amount of the payment you received.

The payment is not added to taxable income. The EIP will not reduce your refund or increase the amount of tax you owe. If your circumstances have changed since the year your payment was based upon, you may be entitled to an additional payment which will be added to your refund, or reduce any tax due.

New Charitable Contribution Deduction

Individuals will be able to claim a \$300 deduction for cash contributions made to public charities in 2020, even without itemizing. For 2020 married couples are limited to one \$300 deduction, but in 2021 they are allowed \$600.

Working from Home

The deduction for employee business expenses was last available in 2017, so unless you are self-employed, those expenses are not deductible.

If you're self-employed and use part of your home for business, you may be able to deduct expenses allocable to the business use. To qualify for the deduction, you must use the space in your home regularly and exclusively as your principal place of business. Any personal use of the space will disqualify you from claiming a home office deduction.

There are two available methods for calculating your deduction and both are based on the square footage of your office space. A simplified method allows \$5 per square foot. The other allows many more expenses to be deducted and requires much more recordkeeping. When using the regular method, deductions for a home office are based on the percentage of your home devoted to business use divided by the total square footage of your home. Deductible expenses include mortgage interest, or rent, insurance, utilities, repairs, and depreciation.

PPP Loans

Many small businesses impacted by the coronavirus pandemic were eligible to apply for a loan through the payroll protection program (PPP). These loans are not taxable income and expenses paid with these funds are deductible.

Up to 100% of the loan can be forgiven—if you meet certain criteria. First and foremost, in order to have your loan forgiven, you'll need to complete a PPP loan forgiveness application form and submit it to your lender. You can obtain the necessary form 3508 or 3508-EZ from the Small Business Administration at [sba.gov](https://www.sba.gov).

In order to be forgiven the funds from the loan must be used for certain expenses and there are timeframes and limits attached to many of these allowed expenses.

Eligible expenses are those that are incurred over 24 weeks, starting from the day the first payment was made by your lender. This is not necessarily the date on which you signed your loan agreement. AT least 60% of the loan proceeds must be used to cover payroll costs. The remaining 40% can be used for certain other costs.

Preparing for your “appointment”

Review last year's return for income and expense reminders. If you have a small business or rental property, we will be happy to provide you with a personalized organizer based on your last return. Make sure you have all your W-2s and the 1099s for interest and dividend income. Do not forget about the 1099 from unemployment. It is taxable both on the federal and state return, whether or not you had taxes withheld. If you have new dependents, include a copy of the social security card. If someone in your family attended college include the 1098T from the school.