

September 7, 2020

Veritas Tax, Business & Consulting Services Group, Inc.

September 2020 Newsletter

Hopefully this newsletter finds you at the end of what has been a peaceful, restful, and relaxing holiday weekend. 2020 has been an eventful and emotional year so far on many levels. Undoubtedly there will be more to come over the next few months given the pending US presidential election.

From a tax and business perspective changes have occurred at an almost rapid-fire pace. The COVID-19 pandemic has had both an immediate and what will be prolonged impact on both individuals and businesses. The CARES Act, Economic Impact Payments (stimulus checks), and the Payroll Protection Program (PPP) had not been thought of prior to February of this year. But like the pandemic itself, the ripple-effect of these programs continues to be felt both today and for the foreseeable future.

Here are a few updates and informational items to review:

- The stimulus payments are not taxable, nor do they need to be repaid if you met the qualifications to receive a payment. Check with us should you have questions.
- If your stimulus payment was issued but you did not receive it, then please call the IRS EIP hotline at [800-919-9835](tel:800-919-9835) to begin a trace on the payment. Follow-up with us for further help.
- If you qualify for a stimulus payment but do not receive it during 2020, then there will be a reconciliation on the 2020 tax return that will provide you with a credit in the amount of your eligible stimulus payment.
- If you received the PPP loan and it is forgiven, the canceled debt is not taxable.
- Unemployment benefits are taxable at the federal level and in most states. If given an option, we usually recommend that you elect to have taxes withheld from your payments.

Continued on page 2



Highlights

Updates

Fraud and identity theft

Updates continued

Remaining 2020 Tax
Calendar

“Am I having enough tax
withheld, and do I need to
make estimated tax
payments?”

Business Services and Entity
Formation

Representation and
Resolution Service



The IRS is continuing one of its primary initiatives to address fraud, identity theft, online scams, and phishing. In 2020 the agency has increased its use of verification letters to confirm an individual's identity. Like the practices used by many states including Massachusetts, these letters request that a taxpayer respond by email, phone, or regular mail. Information is verified against prior filings. The

verification letter helps the IRS ensure that refunds are issued to the correct individual. While this adds another step to the process, the time involved is minimal. Remember that the IRS will not call you. Hang-up and do not provide personal information should you receive a call from someone purporting to be from the IRS. Contact us as we can assist in reporting the incident to the IRS and Federal Trade Commission.

Be sure to check out our website at: www.veritastax.com. You can access your secure portal to upload documentation and information, as well as retrieve downloads.

Remaining 2020 Tax Calendar

September 15th: 2020 third quarter est. payment due

September 15th: Partnership and S-corp extension filing deadline

October 15th: Individual and C-corp extension filing deadline

November 15th: Non-profit extension filing deadline

January 15, 2021: 2020 fourth quarter est. payment due

Updates from page 1 continued...

- Keep receipts and a record of your charitable contributions for 2020. As part of the CARES Act, taxpayers can take a charitable contribution deduction of up to \$300 regardless of whether you itemize your deductions on your 2020 tax return. Hint, hint.
- If you use 529 Plan funds for a child's education and received a refund from a school because of canceled classes or housing due to the coronavirus, you can redeposit funds into the 529 account without penalty if made within 60-days.
- We recommend careful consideration before deferring employee payroll taxes. This is a deferment which means that the taxes will need to be paid within the first four months of 2021. Employer payroll tax deferment under the CARES Act has a separate repayment period.
- RMD's are not required for 2020. Note that normally you must take your first required minimum distribution for the year in which you turn age 72.
- There is no longer an age limit for making Traditional IRA contributions.
- Taxable fellowship and stipend payments are now treated as compensation for IRA purposes. This can help post-docs and others establish retirement plans earlier.

Please contact us with questions about any of the above items, or other issues that may be relevant to your situation.



“Am I having enough income tax withheld, and do I need to make estimated tax payments?”

While the answer to these questions depends upon the unique circumstances of each individual and business, the goal of any response centers around a couple of key points: to reduce any surprises when filing your annual tax returns and to reduce the assessment of an underpayment penalty.

What is an underpayment penalty? An underpayment penalty is assessed if you prepay less than 90% of your 2020 federal tax bill, or less than 100% of your 2019 tax (110% if your 2019 AGI was greater than \$150,000). Confused? Let us clarify a few things and give an example....

“Prepay” means what you have withheld in payroll income tax withholdings plus any estimated tax payments made during the tax year. The standard underpayment penalty rate is 3.398%. In general the penalty cannot be abated, although the IRS and state tax agencies have at times adjusted or waived the penalty under particular circumstances.

Take the following example: your total tax for 2019 was \$9,500 and your tax for 2020 is \$10,000. You had \$8,800 in federal income taxes withheld from wages in 2020. In simple terms your tax due is \$1,200 plus an underpayment penalty of approximately \$41. Adjustments can be made to address both the anticipated tax due and penalty.

While it may seem like a choice of paying now or later, the information can be empowering (or sobering depending upon your perspective) and help with budgeting and planning.



Estimated Tax Notes

We can provide a tax check-up that empowers you with valuable information. Who does this pertain to? Those with self-employment or contracting income, those who receive pass-through income from a partnership/S-corp, those who receive stock options, those who have had a change of circumstance during the year, or anyone who simply wants more information to effectively plan. This is particularly useful for planning year-end charitable giving or deciding upon business investments.

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and Trusted Service*



Business Services and Entity Formation

Changes in the economy, with technology, and in the workplace are leading more people to start their own business. It often makes sense from a tax perspective for independent contractors as well to consider forming their own entity, or at the very least to understand the various concerns that go into effectively and efficiently operating as a self-employed individual or sole proprietor.

Please reach out if you are self-employed, an independent contractor, or are considering whether to establish a business entity or non-profit organization and would like to know what type of entity makes the most sense for you. We provide business and entity formation services. This includes reviewing the liability and tax considerations of such a choice, as well as other factors including an appropriate accountable plan and the various retirement plan options that can be a part of your business.

Whether it is a corporation, limited liability company, partnership, or non-profit, we have the knowledge, resources, and tools to get you up-and-running and keep you compliant year-after-year. We do so by providing you with the ongoing advisory, accounting, bookkeeping, and payroll services you need to succeed, in addition to the year-end tax filings.

Representation and Resolution Services

As Enrolled Agents, we provide clients with tax representation and resolution services. This includes audit, appeals, collection, innocent spouse, tax notice, and service with related issues. We work to ensure our clients are in compliance with both federal and state tax agencies.

One of the main initiatives for the IRS has been to bring non-filers into compliance and get those with outstanding liabilities into payment agreements. Specifically, the non-filer initiative has accelerated because of information provided by taxpayers claiming an Economic Impact Payment. That is right, the IRS is using information provided to claim stimulus checks to contact non-filers. Please reach out if you, or someone you know, might need assistance with these or other tax and business compliance issues.

As always please contact us with questions as they arise. It is usually better to ask, than ask not. Our tax and business service encompasses much more than your annual tax filings.

***Thank you for choosing Veritas Tax,
Business & Consulting Services Group, Inc.***