

The Accountant's Office

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2021 TAX TIDBITS

My apologies! I'm really late this year but Congress has made last minute, retroactive changes almost a regularity so I didn't want to provide stale news. And, instead of a newsletter, I'm going to just give you some 2021 highlights.

IRS Focus on Virtual Currency. Virtual currencies include digital and cryptocurrencies. The IRS Notice 2014-21 states that virtual currencies are to be treated as property so any sales, exchanges, redemptions, and transactions involving virtual currencies are taxable. NOT reporting on your tax return is considered FRAUD. Be sure to notify us of all activity involving Virtual Currency. YUP! They are serious about this and want their taxes.

Recovery rebate credit (EIP3 stimulus checks). This stimulus check was different from the previous 2 because older dependents and adult dependents were included. In January 2022, the IRS will send **Letter 6475** to the last address on file confirming your total Economic Impact Payment. **PROVIDE THAT LETTER TO US!**

Child Tax Credit. Qualifying children are now under age 18 (previously age 17). The credit amount increased to \$3,000 per child (\$3,600 for children under age six). There are some modified AGI phase out rules. If you did NOT opt out, the IRS began issuing Advance Child Tax Credit payments in July and continued through December. These payments represent 50% of your anticipated 2021 Child Tax Credit but were based on your 2020 tax return. They did account for children who turned 18 in 2021. However, the IRS does not know about children born in 2021 nor who will be claiming which child. Consequently, if you are not entitled to any Child Tax Credit but did receive it, you WILL be repaying that credit. In January 2022, the IRS will send **Letter 6419** with the total amount of Advance Child Tax Credit payments that were disbursed to each taxpayer. **PROVIDE THAT LETTER TO US!**

Child and dependent care credit. Congress must have had an epiphany because there are big, realistic changes here! The amount of qualifying expenses for this credit increased to \$8,000 (previously

\$3,000) for one qualifying care recipient and \$16,000 (previously \$6,000) for two or more. The maximum percentage of qualifying expenses for which the credit is allowed is increased to 50% (previously 35%). AND, new in 2021 is that the credit is refundable!

Unemployment Compensation. The 2020 exclusion of \$10,200 of Unemployment Compensation benefits DOES NOT apply to 2021. This means that any unemployment benefits you received after 2020 are once again taxable.

Earned income credit. The earned income credit (EIC) has been modified for 2021. First, the credit is increased for taxpayers with no qualifying children and age restrictions for those taxpayers are relaxed. The new rules allow taxpayers with no children who have reached age 19 (previously age 24) to qualify for the credit. There is no upper age limit (previously under age 65). Students must be at least 24 years old.

Medical expenses. Although it is difficult to exceed 7.5% of AGI for medical expenses, COVID related personal protection equipment (masks, hand sanitizer & wipes, home testing kits) are qualifying medical expenses.

Charitable contributions. Non-itemizers are allowed to deduct up to \$300 per taxpayer of cash contributions to a qualified charitable organization.

Standard Mileage Rate. The following rates apply for the 2021 and 2022 tax years:

Business	.56	.585
Medical	.16	.18
Moving	.16	.18
Charitable	.14	.14

Health savings accounts. Self-only maximum contribution is \$3,600, \$7,200 for family coverage, and \$1,000 catch-up for over age 50. You must be covered by a qualifying high deductible health plan.

PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information, and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.