



DEBORAH L. PENCE, LLC

INCOME TAX PREPARATION SERVICES

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New Office Procedures for this Year

This year has been unprecedented and certainly challenging for all of us. I have made many preparations for this coming tax season so we can meet in person if you prefer. We will operate with the health and safety of our team, our clients, and our communities at the forefront of our practice. In addition, we are required to be in compliance with all local health orders. As such, we have implemented the following in order to meet all these requirements.

1. Plexiglass has been installed at the receptionist desk and in my private office.
2. The waiting room chairs have been separated to allow for social distancing.
3. I will be sanitizing my private office in between each client. We will also be sanitizing the main office areas frequently. Hand sanitizer will also be available.
4. Due to current county Covid occupancy restrictions, we are requesting that only 2 individuals come into the office for in-person appointments and that you wait until five minutes before your appointment to come in.
5. All persons are required to wear a mask once inside the office building at all times.
6. If you are feeling unwell, please let us know and we can reschedule your appointment.
7. There are many options for getting your taxes prepared this year including mail-in/drop-off service, in person appointments, and virtual appointments.

Drop-off/mail-in service: Feel free to mail-in or drop-off your tax information at my office and I can call or email you with any questions that I may have. I will also review your return with you upon completion. If you'd like a virtual meeting, I can facilitate that as well. Your documents can be picked up and signed at my office, put in your secure portal, or mailed back to you at your expense.

Up-load service: You may upload your tax documents using your secure portal. After finishing your return, your copy of the tax return will be available in the portal. Payments for my services can be made by calling my receptionist if you aren't able to pick up at the office.

In-person appointments: I am seeing clients in my office by appointment only. In-person appointments are limited to 2 individuals. You will be required to wear a mask, and I will be wearing one as well. While we are doing our utmost to sanitize the office and prevent the spread of COVID-19, there is an inherent risk in any public place where people are present to contract the virus. Requesting an in-person appointment is your acknowledgment and acceptance of the risks associated with COVID-19 that you may be exposed to the virus regardless of the precautionary measures taken by our office.

Following new IRS security requirements, I will no longer be able to send your tax return or related documents to any third party, either by email, fax, or USPS. This includes any banks or financial institutions, as well as any family members or friends. If you are needing a copy of your tax return I will be happy to upload your return to your secure online portal. You can easily access this on my website under the "Portal" tab. Please call if you have any questions. I also am no longer able to email tax returns at all per these requirements, even if it is to you.

2020 Tax Law Highlights

- **Stimulus Checks:** The stimulus checks are not taxable income. They were distributed using income amounts based on your most recently filed tax return (2018 or 2019), but are actually being calculated using your 2020 income total. It will all be reconciled this year on your 2020 tax return. If there is a change in circumstances for you where the checks were phased out based on a 2019 (or 2018) tax return, but you would be entitled to the full credit based on your 2020 tax return, you will receive a credit for the difference on your 2020 return. I will need to know the amount of your stimulus payments, both from the spring and the payments just distributed. It is very important that the amount is correct, otherwise it will significantly delay any refund.
- **State Unemployment:** ALL unemployment funds received are taxable income, both the state amount and the additional federal stimulus funds provided. You will receive a 1099 form showing total amounts paid that I will need to prepare your tax return.
- **Health insurance mandate:** You will no longer incur a penalty for not carrying health insurance. HOWEVER, if you still receive your health insurance through the government marketplace I will need your 1095-A form to complete your tax return.
- **Work From Home:** There is no deduction allowed for your Office in Home expenses if you are an employee, even though a lot of you have been working from home due to Covid. However, if you have KC earnings tax deducted from your paycheck you MAY be entitled to a refund if:

You do not live in the city limits of Kansas City and You worked outside the city limits of Kansas City while you worked from home and Your employer continued to withhold KC earnings tax while you worked from home. I will need the name and phone number (or email address) of your supervisor/payroll department and the number of days worked outside of Kansas City, MO.

- **SECURE Act:** If you have a 529 account, this law allows you to use funds to pay for non-tuition related items.
 - ⇒ Student loans—up to \$10,000 (lifetime amount) per child can be used tax free from your 529 plan to pay towards student loans. Recipients can not double dip and take the student loan interest deduction on their tax return AND also use 529 funds to payoff student loans.
 - ⇒ Apprenticeships— Students can now use 529 funds to pay for supplies, equipment, fees, and textbooks related to any registered apprenticeship programs they take part in.
 - ⇒ Grandparent owned 529 – Prior to the SECURE act funds used from a grandparent owned 529 plan would result in a reduction in student aid on a student's FAFSA form. Now they can wait and use the funds to pay for post-graduation student loans and avoid having to count withdraws as income while the student is in school.

- **Charitable Donations:** This year you may deduct up to \$300 in charitable donations made in cash, check, or credit card regardless if you itemize or not. Goodwill/DAV donations are not included in this deduction. I will need receipts to include on your tax return. For those that do itemize, all donations (cash or Goodwill) are still allowed and for 2020 you can deduct cash donation amounts up to your total adjusted gross income.
- **Missouri Charitable Donation Credits.** There are several extra Missouri credits available to those who donate to certain organizations. Extra documentation must be obtained from the Missouri government agency associated with the credit. Go to: dor.mo.gov/taxcredit for more information.

2020 Retirement Changes

- **IRA and Roth IRA Contributions:** You have until April 15, 2021 to put money in your accounts and still have it be counted on your 2020 return. Those over age 72 can still make contributions if you otherwise qualify.
- **New RMD Age:** Beginning January 1, 2020 and after, the required minimum distribution age changes to 72. If you turned 70 1/2 before this date, you fall under the old rules and still must take your RMD before age 72.
- **For 2020, the CARES Act allows retirees to skip their required distribution without penalty.**
- Taxpayers having a baby or adopting, can now take a payout from their IRA or 401k of up to \$5000 (\$5,000 each if MFJ) without incurring the 10% early withdraw penalty. Any amount distributed is still counted as income on your tax return.
- If you took money out of your retirement account for coronavirus-related expenses and are under 59 1/2, your 10% early withdraw penalty will also be waived on up to \$100,000 in expenses.
- The SECURE Act tightened rules on how long you have to use funds from inherited IRAs and 401ks for accounts that were inherited after 1-1-2020. For many accounts all funds must be distributed within 10 years. There are exceptions for spouse, minor child and the disabled.



Retirement Savings Contribution Limits

ACCOUNT	2020 LIMIT	2021 LIMIT
401k, 403b, Thrift Savings Plan, most 457 plans	\$19500	\$19500
Catch-up contributions for 401k, 403b, Thrift Savings Plan, most 457 plans for those 50 and over	\$6500	\$6500
SIMPLE retirement accounts	\$13,500	\$13,500
Catch up contributions for SIMPLE accounts	\$3000	\$3000
Traditional IRA and Roth IRA plans	\$6000	\$6000
Catch-up contributions for IRAs for those 50 and over	\$1000	\$1000

Energy Credits Are Back

The total credit is limited to 10% of the project, up to \$500. Improvements must be done to an existing home, and it must be your principal residence. It does not apply to new construction, rental property, investment property, or second homes. The \$500 is a lifetime maximum, and the amount of Energy Credit that you've claimed in the past reduces this year's credit. You will need to obtain a Manufacturer Certification Statement and have your receipt/invoice in order to claim the credit. You can generally obtain this Certification Statement from the manufacturer's website, installer, or retailer. Other credits on solar, wind energy, geothermal heat pumps, and fuel cell electricity are also available. These are not limited to the \$500.



Business Updates and QBI Statements

- √ Business Meals: For 2020 business meals are 100% deductible, instead of the standard 50%.
- √ Entertainment Expenses: There is no longer a deduction for entertainment expenses or membership dues to any club organized for business, pleasure, recreation, or other social purpose. This includes buying tickets to sporting events through your business.
- √ Charitable Giving: This is another deduction that is up to 100% deductible in 2020, instead of 50%
- √ QBI Deduction: Partnerships, S-Corporations, Farmers, Trusts, Estates, and sole proprietorships are allowed to deduct 20% of business related income, subject to certain wage limits and exceptions. The remaining income is subject to normal rates. The 20% deduction is not allowed in computing adjusted gross income (AGI) but rather is allowed as a deduction reducing taxable income.
- √ If you have income from a partnership or S-Corporation that provides you a K-1 for your personal return, I will need 2 things along with your K-1: 1. "Statement A-QBI Pass Through Entity Reporting". This is a statement that shows your business' QBI deduction information and is required to be completed with the business tax return and 2. A basis worksheet. If I handle your business accounting and taxes I will have this on file. If I don't, whomever completes the business return is required to provide this to you, even if the K-1 shows a loss.

Where's My Refund?

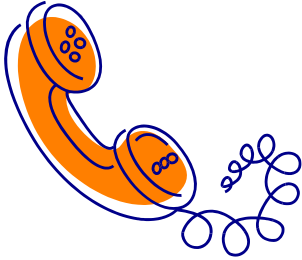
This is one of the most common questions we get asked every year! The short answer is: we don't know. Once we submit the returns electronically to the IRS and states and they are accepted, it is completely out of our control. Sometimes refunds get delayed due to the volume of submissions or lack of money, other times it's because your return was randomly selected for review. I have links posted on my website for you to check the status of your IRS, Kansas, and Missouri returns. You will need to have your EXACT refund amount, the social security number of the primary person on your return, as well as your filing status. The IRS now has a separate refund tracker for amended returns as well.

2020 STANDARD MILEAGE RATES:
BUSINESS: 57.5 CENTS PER MILE
RELOCATION: NO LONGER DEDUCTIBLE
MEDICAL: 17 CENTS PER MILE
CHARITABLE: 14 CENTS PER MILE



2021 STANDARD MILEAGE RATES:
BUSINESS: 56 CENTS PER MILE
RELOCATION: NO LONGER DEDUCTIBLE
MEDICAL: 16 CENTS PER MILE
CHARITABLE: 14 CENTS PER MILE

Appointments



TAX SEASON OFFICE HOURS

**(JAN 25 TO APR
14TH)**

**MONDAY THROUGH
THURSDAY 9:00
AM TO 7:00 PM**

**FRIDAY 9:00 AM TO
5:00 PM**

**SATURDAY 9:00
AM TO 2:00 PM**

**CLOSED ON
SUNDAY**

***PLEASE NOTE THAT
I DO NOT TAKE
APPOINTMENTS ON
WEDNESDAYS**

- Please call my receptionist to schedule your appointment. This is the fastest way to get it taken care of.
- I see clients by appointment only for your convenience. If you prefer to drop off your information with the receptionist instead of making an appointment, I (or my assistant Megan) will need to call you at a later time to discuss your return with you. This policy will help keep the waiting time for those with appointments to a minimum. **The turn around time for drop-offs can be up to three weeks (or longer if there is missing information) so you may want to consider that when deciding to do so.**
- Also, it is very helpful if you will let the receptionist know when scheduling appointments if you will be bringing in more than one return, i.e. a child's return, or a parent's return, so that we will have enough time to complete those returns during the allotted appointment time. Otherwise, you may need to leave the extra returns to be completed later.

****Please note that our phone system has changed slightly – you no longer need to hit the # key when choosing an extension. If you do, it will not recognize your command and will keep you on the auto attendant loop.****

OFFICE PHONE: 816-795-9882 OFFICE FAX: 816-795-9883

CONTACT DEBBIE: Phone Ext–2 Email–dlpence@gmail.com

CONTACT MEGAN: Phone Ext–4 Email–assistant.dlpence@gmail.com

CONTACT RECEPTIONIST Phone Ext–0

Over the past couple of years I began using a secure online portal to upload your tax return instead of printing out a hard copy. Your personal portal will remain available to you as long as you are an active client of mine. Besides your tax return, the portal can also be used to send and receive documents with sensitive information. I can no longer use email for this for security reasons. If you need your portal to be reset, please call my assistant Megan.

During tax season getting ahold of me can sometimes be difficult. The fastest way to reach me is to leave a voicemail on my phone extension, but know that at times it may be several hours (or the next day if you call in the evening) before I am able get back to you. My assistant can also answer most questions if you cannot reach me and need more immediate assistance.

I appreciate the opportunity to assist with all of your accounting and tax needs and am grateful for the many referrals of new clients I receive each year. I look forward to meeting with each of you again this year!

-Debbie

IRS Scams!

Email: They use very official looking email and tell you that your tax payment was rejected or that you owe back taxes, often threatening legal action. If you receive an email like this, PLEASE do not click on any of the links and immediately delete it. Other email scams include attachments labeled as "Tax Account Transcript" from the sender "IRS Online". Once you open the attachment your computer becomes infected with malware.



Telephone: Callers claiming to be from the IRS contact you saying you owe money, which must be immediately paid via wire-transfer or with a prepaid debit card. If you refuse the caller often threatens arrest or suspension of the victim's business or driver's license. In many cases they have been able to manipulate the caller ID to look as if it really is the IRS calling. If you receive such a phone call the best thing to do is just hang up.

Mail: Scammers send letters claiming there has been a discrepancy on your return or that you owe a balance in connection to your Affordable Care Act credit. While the IRS does send out discrepancy notices, official notices with amounts due will be payable to "US Treasury" NOT "IRS". **If you receive a letter please contact my office before making any payments.**

IRS WILL NEVER MAKE INTIAL CONTACT WITH YOU BY WAY OF EMAIL OR PHONE CALLS! They will always first attempt to reach you with a letter in the mail. In addition you will never be asked to pay immediately without being given the opportunity to appeal the amount you owe, and **you will never be asked to pay with a debit or credit card over the phone.** You can report these incidents to the Treasury Inspector General for Tax Administration at 1-800-366-4484 or online at www.tigta.gov. You can also email a report to phishing@irs.gov.

Identity Theft and your Tax Return

In the past several years tax-related identity theft has been on the rise. This is when someone uses your social security number and other personal information to file a tax return and claim a fraudulent refund. Thieves will usually file these returns early in the tax season, so that when you file your legitimate return it prompts the IRS to send out a notice that multiple returns have been submitted with your SSN number. You will still be able to file your return, but there are extra steps we will have to take, and if you are due a refund be aware that it will take much longer than normal (usually around 6 months). According to www.irs.gov you should be alert to any letters or notices that state:

- More than one tax return was filed using your SSN;
- You owe additional tax, refund offset or have had collection actions taken against you for a year you did not file a tax return.
- IRS records indicate you received wages from an employer unknown to you

If you discover you are a victim of identity theft go online to identitytheft.gov to report it and get a personal recovery plan. I have several pamphlets in my office for your convenience should you need them.

As far as your tax return goes, per IRS, there is nothing that can be done to prevent your personal information from being used on a fraudulent return ahead of time. The IRS can only take corrective measures AFTER a fraudulent return has been filed unless you use the new program they have to get an ID Protection Pin. This prevents anyone else from using your information. Go to IRS.gov and search IP Pin and follow the instructions. This process must be done each year unless you have been a victim of fraud, in which case IRS will send you a new pin each year automatically.

WHAT TO BRING LIST

- NEW CLIENT? Copy of last year return, dates of birth for yourself, spouse and dependents
 - Estimated tax payments, if any
 - Wage and Tax statements (W-2)
 - Interest Income (1099-INT)
 - Dividend Income (1099-DIV)
 - Pension Income (1099-R)
 - Unemployment Compensation (1099-G)
 - Social Security Benefits (SSA-1099)
 - Distributions from Profit-Sharing-401(k)- IRA's, etc. (1099-R)
 - Notice 1444—Economic Impact Payment (For Stimulus Payments)
 - Commissions-Independent-Contractor-Self Employment income and expenses
 - Railroad Retirement Benefits (RRTA-1099)
 - Long Term Care Insurance Premiums (even if you don't itemize)
 - Active Military moving expenses
 - Rental property income and expenses
 - Any K-1's from Partnerships or S-Corp income. (Also need Statement A for QBI & Basis Worksheet)
 - Any K-1's from Trust or Estate Income
 - Did you sell any real estate; securities: stocks, mutual fund shares, etc? You will need:
 - Any 1099-B's from Brokerage accounts
 - ⇒ Date of sale and sales price
 - ⇒ Records of date of purchase and original cost
 - ⇒ Cost of improvements (real estate)
 - Did you sell your personal residence? You will most likely not have to report this, but please bring in:
 - ⇒ 1099-S Proceeds from Real Estate Transactions
 - ⇒ Closing statement from original purchase of home
 - ⇒ Closing statement from sale of home
 - ⇒ Records of any improvements
 - Did you buy a new personal residence? Please bring in the closing statement.
 - Charitable Cash Donations? Will need receipts
 - Any HSA contributions made on your own (Not through your employer)
 - Educators -Classroom expenses incurred
 - IRA/SEP/ KEOGH contributions/rollovers/withdrawals
 - Gambling/Lottery Winnings (W2-G)
 - Child care expenses so you could work - need name, address, SSN, and full amount paid to each day care provider even if you did pre-tax
 - National Guard & Reserve Members - Travel expenses for overnight meetings more than 100 miles from home.
 - Jury pay - prizes - awards
 - Any other income from any other source!
 - Do you make payments on Student loans? Form (1098E)
 - Adoption expenses
 - Did you sell or trade in any business assets e.g., car, computer, rental property? You will need:
 - ⇒ Date of purchase and original cost
 - ⇒ Records of prior depreciation-for a vehicle you will need prior mileage information
 - ⇒ Any settlement statements
 - ⇒ Date of sale and amount sold for
 - Do you pay any higher education tuition for yourself, your spouse, and your dependents? I cannot process the return without a 1098-T. Bring book receipts separately.
 - Are there any contributions to or distributions from state tuition programs? Form (1099-Q)
 - Are you enrolled in the Health Insurance Marketplace? I will need Form 1095-A. I cannot process the return without this.
- To itemize your deductions, we will need:**
- Out of pocket medical expenses (must exceed 7.5% of income to help) Health Insurance counts **only if not paid through a pre-tax payroll deduction. Medical expenses include- doctor, dentist, hospitals, co-pays, prescriptions, X-rays, contacts, glasses, long-term care insurance, etc. Anything medical.**
 - Home mortgage interest (1098)
 - Real Estate/Personal property tax receipts
 - Charitable contributions