

2021 TAX NEWSLETTER



Important Items

Special points of interest

IRS will accept and process returns on February 12

Refunds will begin 1st week in March

1. Recovery Rebate Credit to claim stimulus payment for those who did not received stimulus 1 or 2.
2. If you received Unemployment benefits, you need to bring Form 1099G
3. If you don't itemize your deductions, you may qualify to take a deduction for charitable contributions of up to \$300.
4. Credits from 2019 remain the same for 2020 plus some additional benefits under the Cares Act of 2020
5. Foreign Financial Assets for any account overseas with over 10,000 dollars balance any time during the year – Reporting due in **April 15**.

IMPORTANT TIP

Check the IRS website for refund information.

www.irs.gov/refunds

The information is updated ONCE a Day.

WHAT'S NEW FOR THIS TAX SEASON

VISIT OUR WEBSITE

www.estelalorenzocpa.com

Welcome to a new tax season. As in previous years, we are prepared to offer you our professionalism and expertise in the income tax return preparation. Our goal is to provide the highest quality service to our loyal clientele.

Important Tax changes for Individuals:

Tax reform due to the CARES Act is complicated due to changes and specific situation.

Economic payments you received are not taxable for federal tax purpose but they reduce your recovery rebate credit.

Recovery rebate credit: This credit is figured like last year's economic impact payment, except eligibility and the amount of the credit are based on your tax year 2020 information

You must file Form 1040 or Form 1040-SR to claim the Recovery Rebate Credit even if you are normally not required to file a tax return.

Election to use your 2019 earned income instead of 2020 for earned income credit, additional tax credit.

Educator expenses include amounts paid or incurred after March 12, 2020, for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus

Please call our office for guidance on all of the provisions that directly affect you.

IRS will **hold refunds** claiming the Earning Income Credit (EITC) and Additional Child Tax Credit (ACTC) **until 1s week of March**.

If you have Obama Care, we must complete the insurance reconciliation with your taxes to avoid delays on your refund. The delays could take 8-16 weeks. **You need FORM 1095A**

If you don't bring your **FORM 1095A for all your dependents**, we will not be able to submit the taxes to the IRS, and the IRS WILL NOT process your return.

Call the Market place at 1-800-318-2596 (open 7 days a week—24 hrs.) before your appointment if you have not received the **1095A FORM**.

Save a trip to the office and **avoid Covid spread**, send your documents in advance by **email, mail or fax**. Take advantage of the

internet and email us your questions, deduction lists or any other important information.

We are open Monday to Saturday. Please, call in advance for your appointment.

To stop the spread of COVID, we are also offering telephone conference instead of in person appointment. You email your documents and we can call you afterwards.

Bring the following notes and information:

- New dependents' social security number
- Date of birth for all your dependents
- College tuition paid **Form 1098-T and expenses paid for books and tuition.**
- Bring information for your child care provider: name, address and tax ID
- If you sold stock we need year-end statement from brokerage company.

• **Bring tax documents received:**

- Form **W-2** from your employer.
- Form **1099s** for Interest, Dividends, Sale of Stocks from Banks or Investment companies.
- Form **1099-Misc** for Self Employed or Other Income.
- Form **1099-R** for Pension Plan or IRA-Distribution.
- Form **1098** from your mortgage company for Principal Residence and Rental Properties.
- Form **1099-G** for unemployment
- Form **Form 1099-SSA** Social Security Benefits

- List of your business Self Employed or rental activity related income and expenses
- List your medical expenses and health insurance paid
- Bring a voided check for direct deposit.

We take this opportunity to thank you for the confidence you have bestowed on us.

Referrals are our best source of advertising. Tell a friend and get 10% discount.

**Maria Estela Lorenzo,
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Accountant**

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Established 1983



**Income Tax &
Accounting
Services**

The IRS is conducting more audits to detect wrongful credits, deductions, etc. Make sure all your records and backup documents have the correct current address for you and your children like school records, medical records, bank statements, utility bills, lease agreement, etc. **Name must match Social security card and Immigration status according to the social security card.** You must have an updated social security card if the name or immigration status changed. Having the incorrect immigration status on your social security card, could affect your credits and stimulus payments

Tax Credits:

Child Tax Credit: The child tax credit is temporarily expanded by increasing the credit amount for each **qualifying child under the age of 17 years of age** to \$2,000. A taxpayer may claim a \$500 credit for each dependent **child older than 17 years of age** or a dependent who is a qualifying relative for purposes of claiming a dependency exemption.

Child Care Credit: this credit was permanent extended for expenses related to your children's care **under the age of 13**, or disabled person up to two children. You may qualify for a credit of up to \$1,050 or 35% of the \$3,000 eligible expense. For higher income earners, the credit is reduced to 20%. You must report the payments made to the childcare provider, name, address and Tax ID Number.

Educational Credits: American Opportunity Credit and Lifetime Learning Credits

You must Bring Form 1098 T from college and qualified college expenses.

To claim these credits, the student must be your dependent. The maximum credit is \$2,500 per student/year. Eligible expenses to include books. Allowing the credit for first 4 years of college. Higher education expense is expanded to include the purchase of new computer technology or equipment. The lifetime maximum credit remains at \$2,000 per return.

Earned Income Credit – You may receive a maximum credit up to:

If no Children	\$ 538	Income less than 15,820 (21,710 if married)
One Child	\$ 3,584	Income less than 41,756 (47,646 if married)
Two Children	\$ 5,920	Income less than 47,440 (53,330 if married)
Three or more	\$ 6,660	Income less than 50,594 (56,844 if married)

You must have a valid social security to claim this credit and be a U.S. citizen or a resident alien all year. Your child must be under 19 years old or under age 24 and a student.

Investment income (interest, dividends, etc.) must be less than **\$3,650 to qualify.**

Individual Retirement Accounts and Roth IRA:

- You can open an account per beneficiary for your children's education. The earnings withdrawals from this account are tax free if used for educational purposes (**Plan 529**).
- You and your spouse will be allowed an IRA deduction of **\$6,000 each (\$7,000 if you are age 50 or older)**.

Other Items:

- **Long Term Care Deduction:** Depending on your age you will be allowed a deduction for a portion of your premiums as medical deduction subject to limits.
- **Long Term capital gains and dividends:**

FILING STATUS	0% RATE	15% RATE	20% RATE
Single	Up to \$40,000	\$40,001 – \$441,450	Over \$441,450
Married filing jointly	Up to \$80,000	\$80,001 – \$496,600	Over \$496,600
Married filing separately	Up to \$40,000	\$40,001 – \$248,300	Over \$248,300
Head of household	Up to \$53,600	\$53,601 – \$469,050	Over \$469,050

- Foreign earned income exclusion amount is 107,600.
- **FBAR Filing requirement** - FBAR stands for "Foreign Bank Account Report", **Persons required to file a FBAR:** US persons (citizens and residents) who have ownership or control (for example signature authority) of foreign accounts with an aggregate value of over \$10,000 in the calendar year. High penalties if not filed.
- **Forgiveness of debts** such as Short Sales, and cancellation of debts might be taxable.
- **All charitable contributions** must be supported by receipts and cancelled checks. Used clothing and household items must be in good used condition in order to be deducted.

Please call our office for guidance on all of the provisions that directly affect you.