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December 9, 2020

PLEASE READ THIS LETTER

TO: Tax Clients

REGARDING: 2020 Income tax preparation

Dear Tax Client:

Tax season is here again. I will be preparing income taxes in my office at 11 Maple Avenue in Hamilton.

Due to COVID-19, we are limited to how many people are permitted in the office at one time. You may have to wait in your vehicle, and we'll call when entrance is permitted. You will also be required to wear a mask, take your temperature, and log in. Or, in lieu of an inside appointment, you may drop your tax papers off, and I will prepare as time allows, I will call you with questions. Also, Covid-19 rules may change by then – call us if you wish.

My hours, beginning the end of January, are 8 AM-9 PM Monday through Friday and 8 AM-5 PM Saturday. Most taxes are done by appointment. Telephone interviews for taxes mailed or e-mailed will be done as soon as possible. There may be times while I'm in a conference that I won't be able to speak on the phone right away; I will return the call later in the day.

Electronic filing is obligatory for our office. The IRS and New York State say refunds should come within 4-6 weeks. The slower processing time is due to increased IRS validation due to fraud and identity theft. State returns "piggyback" on the federal return.

Attached find lists to review before our interview. Knowing the answers to these questions will enable me to complete your tax promptly and accurately. Please note New York changes also.

For consultations or appointments, call 315-824-2811 or toll-free 800-642-6625. My E-mail address is taxman@mbmarshall.com.

I prefer to do all taxes as soon as possible. I will have forms and will be ready by January 15, 2021, to complete your tax return. Please call as soon as you are ready. Whether or not they can be transmitted, we will see. We do know that refunds related to earned income credit or additional child tax credit will not be released until at least February 15, 2021. Gift tax returns can be done starting January 5, 2021.

If you have any questions, or problems, CALL ME BEFORE the end of the year. I am available during the daytime hours and by appointment in the evenings for planning sessions. Persons filing estimated taxes may want to see me before 12/30/2020.

Thank you,



M. Burton Marshall
MBM:my

I am very concerned about cyber-security. I have set up a secure website to send and receive your private information if you choose to use the internet as your mode of communication. I have a link on my website www.mbmarshall.com specifically for use to securely upload files to me. Once you have uploaded your file, I will automatically receive an email notifying me there is a file to retrieve. If I have information or a file to send to you, I'll send you an email with a link to www.sharefile.com where you can securely download my file to your computer. Examples of information that should be sent this way are documents that contain driver license numbers, social security numbers, birth certificates, credit card information, or bank account numbers and routing numbers. Answers to my requests for this information should also be sent this way.

Enrolled to Practice before the Internal Revenue Service
RENTALS ♦ Apartments ♦ Houses ♦ Commercial ♦ Storage
Certified Insurance Counselor

ORDER OF THE INTERVIEW

1. Depreciation for Businesses, Farms and Rentals
2. Name, Address, Social Security Numbers, Dates of Birth – need copies of social security card and photo ID.
3. Filing Status
4. Dependent Names, Dates of Birth, Social Security Numbers – need copies of social security cards, and proof of residence.
5. W-2's, Pension Income, IRA Income, Annuity Income and Gambling Income. This includes early distribution penalties
6. Unemployment – need Form 1099-G
7. Social Security income from 1099-SSA
8. Interest, Dividend, Tax Exempt Income and early withdrawal penalties. Need forms for account information
9. State Tax Refund, if you itemized your deductions last year
10. Alimony Income (still taxable if pre-2019 divorce) – NY taxes it all regardless of date of divorce, need month and year of original divorce.
11. Schedule C Income & Expenses
12. Capital Gains & Losses
13. Rentals
14. Partnerships, Trusts, Sub-S Corp (K-1s)
15. Farms
16. Performing Artists and Reservist Expenses (over 100 miles away)
17. Health Savings Account deduction
18. Educator Expenses for K-12 educators
19. Moving Expenses (federal for military personnel only; NYS for everyone)
20. IRA, Keough and SEP contributions – Note any qualified charitable donations from IRA
21. Self Employment Health Insurance Deduction
22. Early Withdrawal of Savings Penalties
23. Alimony Paid (Pre 2019 divorce) NY allows deduction regardless of date of divorce
24. Student Loan Interest
25. Tuition Expenses
26. Itemized Deductions – medical, dental, taxes, interest, charitable contributions and miscellaneous deductions (miscellaneous for NYS only)
27. Qualified business income deduction – a function of business profit
28. Foreign Tax Credit
29. Child Care Credit, includes day camps (athletic, art, circus, etc)
30. Education Credits
31. Retirement Savings Credit
32. Adoption Credits
33. Residential Energy Credits – solar and geo-thermal only
34. Self Employment Tax
35. Household Employment Taxes
36. Withholding, Estimated Tax Payments and Excess FICA
37. Economic Stimulus credit, if not received in 2020

38. State tax

- A. Additions & subtractions – Note: Alimony is deductible on NYS regardless of date of divorce
- B. Itemized deductions if not used on federal
- C. Non-refundable credits – Note: Long Term credit is now limited to \$1500 credit
- D. Refundable credits
- E. Sales and Use taxes

THINGS TO BRING

1. W-2's; 1099's for interest, dividends, state tax refund, etc. If you have a foreign account, we may need to do F-BAR filings, we need the bank name, address, account number, and maximum amount in EACH account during 2020. If you are a signer only with no financial interest, you still need this information..
2. Unemployment Form 1099-G.
3. Social Security form SSA-1099.
4. How much tax exempt interest did you receive? From what state?
5. Amortization schedule, if paying or receiving money on an installment sale.
6. Closing statements, if you bought or sold real estate in 2020.
7. Documentation on charitable contributions, including Form 1098C if you donated a vehicle. Any contribution over \$250 requires a contemporaneous receipt. Keep a log book for charitable mileage.
8. Buy and sell slips for stock sales. SPECIFIC DATES ARE IMPORTANT. Bring 1099B's.
9. Checking account information for direct deposit. Account # and Routing #.
10. If I did not prepare your 2019 income tax, bring a copy of it.
11. Form 1098 for mortgage interest paid.
12. Form 1098T for college tuition—no 1098T, no credit.
13. Make a list of questions to ask me.

QUESTIONS TO KNOW

Name, address, date of birth, and social security number of taxpayer and spouse. Either 65 or legally blind? Double check social security numbers for all household members. Need dates of birth for taxpayers and dependents. NEED COPIES OF SOCIAL SECURITY CARDS AND PHOTO ID FOR TAXPAYER, SPOUSE AND DEPENDENTS, if we don't already have them.

Single, married filing jointly, head of household, widow(er) with dependent children or married filing separately?

Names of dependent children. If not living with you, be sure to tell me. ALSO, need copies of social security cards and birth certificates. If they don't have one, GET ONE. No social security number, no exemption. Non-custodial parents need Form 8332, signed by the custodial parent. You can get these signatures now. If you need Form 8332, call me. Form 8332 must be mailed to the IRS. Copies of social security cards and proof of occupancy (school or medical records) are REQUIRED if claiming EIC, additional child tax credit, or head of household.

Did you support anyone else during 2020? If so, name, social security number and date of birth. If not related, must live with you all year. We need a copy of their social security card and birth certificate.

Bring all W-2's, 1099's, 1098A's, 1098C's, 1098T's, K-1's and any other tax documents received.

If you itemized on 2019 return, did you receive a state tax refund? If so, how much? Bring 1099-G. If I didn't prepare your 2019 return, bring a copy of it.

Do you receive alimony? How much. (only for pre-2019 divorce) NY taxes regardless of date of divorce.

Do you PAY alimony? If so, I need recipient's name, address and social security number. NY allows deduction regardless of date of divorce.

Do you own a business? Bring income and expenses TOTALLED by category. If you have auto expenses and use the optional standard rate method, the interest paid on vehicle loans and sales tax are also deductible. Mileage rate for 2020 is 57.5 cents per mile. A DAILY MILEAGE LOG BOOK IS REQUIRED

Did you sell real estate, stocks, or any other property during 2020? I'll need purchase price, sales price, and expenses

connected with purchase and sale. Closing statements are essential. DATES OF PURCHASE AND SALE ARE CRITICAL, KNOW THESE!

Do you receive rents? Again, expenses grouped by category. Keep a daily mileage log book.

Did you receive unemployment in 2020? Bring 1099G. You can get this online.

Did you move more than 50 miles in 2020? Was this job related? If so, bring expenses. Mileage rate is 17 cents per mile for 2020. THIS IS ONLY FOR MILITARY PERSONNEL on the federal; but for everyone on NY.

Do you incur expenses in connection with your occupation; such as travel, use of auto on job or overnight expenses? (See note about receipts.) Meal expenses MUST be kept separate from other travel expenses. One location for over a year is not deductible. For meals, I need the number of nights spent in each location (different cities have different rates). If not self-employed, this is for NYS use only.

Did you invest in an IRA, SEP or Keough account? How much? When? BRING END OF YEAR STATEMENTS. Did you "roll-over" any retirement accounts? Did you convert an IRA to a ROTH? Bring your 1099Rs.

Did you withdraw money prematurely from a time deposit? What was the penalty?

If you plan to itemize, I need the amount of medical insurance (unless pre-tax), long-term care insurance, dental insurance, medicare supplemental insurance, medical bills, smoking cessation programs, dental expenses, hearing aids, eye doctor expenses, glasses, nursing home expense or home care for disabled, prescriptions, insulin, number of miles driven for dental, medical and prescription purposes, sales tax paid on cars, boats, and materials for a new home, real estate taxes PAID, interest paid on home mortgages (which includes camping units and boats with facilities), points paid to refinance a mortgage, investment interest expense, contributions, mileage for charitable organizations (log book required), value of property given to charity (clothes, books), and state income taxes paid. PLEASE NOTE—deduction for income and real estate taxes is limited to \$10,000.

FOR NYS ONLY: amount of casualty losses including amount of deductible you paid before insurance company paid for a loss, cost of safe deposit box, cost of tax return preparation, cost of items purchased for work (tools, books, uniforms, supplies, etc.), work related travel expenses, cost of state disability deducted from your pay, union or professional dues, job seeking, investment expense, professional books and journals. There is no limit on Real Estate taxes.

Did you pay someone to watch a dependent so you could work in 2020? How much, if over \$2200 and in your home; be sure you have paid social security tax. Need babysitter or day care provider's, name, address and social security number. Be sure you have NY Disability insurance, paid family leave, workers' compensation, and are paying unemployment if applicable. If you had a flex program reimbursement we still need sitters name, address, social security number and how much paid. This is a large PROBLEM and penalties are severe.

Cost of solar energy equipment and geo-thermal equipment.

Are you liable for self-employment tax?

Do you have vacant land? If you own vacant land and DO NOT itemize, we can capitalize the taxes and interest paid.

Did you pay estimated taxes in 2020? If so, **HOW MUCH? WHEN? (EXACT DATES MAILED)**

If you itemize, ACCELERATE your 1/15/2021 STATE tax payment to 12/30/20. Bring it to our office or get a certificate of mailing. (DO NOT do this if you pay alternative minimum tax, do NOT itemize or are already over the \$10,000 threshold for income and real estate taxes.) Very few people need to pre-pay taxes.

Did you receive interest income from US Savings Bonds? How much? (Not taxable on state income tax returns)

How much Social Security did you receive? Bring form SSA-1099

Bring any buy/sell slips for stock sales. If you sold shares in a dividend reinvestment plan, I need all basis information. Custodian will supply basis information for purchases after 1/1/2012.

IF YOU OWN A HOME, SAVE ALL CAPITAL IMPROVEMENT RECEIPTS. Keep these from the date of purchase to the date of sale. A \$250,000 exclusion of gain applies (\$500,000 on a joint return), if you lived in the house 2 out of 5 years prior to sale. Additional time allowed if in nursing home at time of sale.

Did you buy, sell, or own any virtual currency (Bitcoin, Litecoin, etc) IRS provides the virtual currency is property, so any sale (or payment for goods or services) is a taxable transaction and must be reported.

CHANGES and OTHER INFORMATION

1. The top rate is 37%; there are 7 rates - 10%, 12%, 22%, 24%, 32%, 35% and 37%.
2. Standard deductions are:

Single - \$12,400	Additional if blind or over 65 1650
Married filing jointly - \$24,800	1350 (each)
Married filing separately - \$12,400	1650
Head of household - \$18,650	1650
3. Earned income credits now apply up to \$56,844 of income. Single persons may qualify even with no children if earnings are less than \$15,820 (must be between 25 and 65 years of age).
4. Tax exemptions for interest on US Savings Bonds used to finance higher education of taxpayers and dependents.
5. Business use of auto is 57.5 cents per mile for all of 2020. Remember—A DAILY MILEAGE LOG BOOK IS REQUIRED FOR AUTO EXPENSES.
6. Gross income under \$150,000 requires 90% of tax to be paid by 1/15/21 or 100% of the 2019 tax liability. Gross income over \$150,000 requires 110% of 2019 income tax, or 90% of the 2020 tax. Check this, an error can be costly.
7. In 2020 up to 85% of social security benefits may be taxable, depending on total income. No NYS tax on social security.
8. Section 179 expense is \$1,040,000. This is now permanent. Also 100% additional first year depreciation on purchased property for federal only. We may opt out. There is no additional first year depreciation for NYS. NY DOES allow Section 179 depreciation.
9. Charitable contributions over \$250 require CONTEMPORANEOUS WRITTEN ACKNOWLEDGEMENT from the organization. Mileage is 14 cents per mile – keep mileage log book. If you donate an automobile, you need Form 1098-C.
10. Payroll taxes on household help begin at \$2200 wages a year. Federal Payroll taxes for household help are paid with income tax return. New York State withholding and unemployment insurance are paid quarterly. This includes babysitters, home health aides and cleaning people. If you have household help, be sure to do this. Severe penalties if you don't. Also disability insurance is required after 25 days of work, workers' compensation is required if over 40 hours per week, and paid family leave. THIS IS IMPORTANT.
11. Self-employed health insurance is 100% deductible (up to the profit from business or farm). I need cost of the insurance paid in 2020. Business must have a profit.
12. No earned income credit if investment income exceeds \$3650. The \$3650 does not include sales of raised cattle.
13. Adoption credits apply. Maximum is \$13,810 per child.
14. Child tax credits for 2020 are \$2000 for qualifying child – i.e. under 17 and your dependent. Part of this may be refundable. Need copy of birth certificate and proof of residence (medical or school records). Need proof of residence EACH year. Must have social security number or ITIN # (credit reduced if ITIN).
15. Many credits for college expenses. Know how much was spent on tuition, books, computers, supplies & how much received for scholarships. Form 1098T is required — no 1098T, no deduction.
16. Meal allowance is now at least \$55/day. Higher rates apply in larger cities. I need to know the number of overnight days in what city, different rates for different cities. Some cities are as high as \$76/day. Transportation workers qualify for \$63/day. Foreign locations have higher rates. Only for self-employed and NY itemizers.
17. Income averaging for farmers still applies.
18. Capital gains rates remain low. Most dividends qualify for capital gains rates. Many people will qualify for 0% tax on dividends and capital gains. 2020 is a good year to pay tax. Rates will increase in 2021. You may wish to sell stocks with a profit and pay the tax in 2020.
19. Long Term Care insurance is a non-refundable credit on New York taxes. It is 20% of the cost. (can also qualify as itemized deduction on Federal return) Unused portion can be carried over. Credit is now capped at \$1500.
20. IRA contributions are up to \$6000 (\$7000 if over 50).
21. Special earned income credits for military and combat pay.
22. Overnight travel for National Guard and Reserves is an adjustment to income. Must be over 100 miles away.
23. Startup costs and organization cost for new business can be expensed up to \$5000 in the 1st year. Balance must be amortized over 15 years.

24. If you had gambling winnings, bring Form W2-G. Need verification of gambling losses, save your losing tickets and get winnings/losses statement from casino.
25. "Kiddie tax" applies up to age 18 and full time students under age 24, if investment income is over \$2200. Now taxed at parents rate.
26. Charitable contributions for clothing and household items must be in "good" condition, or they are not deductible. Dated receipts are A REQUIREMENT.
27. There are SEVERE penalties for late partnership or s-corporation returns, both are due 3/15/21.
28. Electronic payment of payroll taxes is obligatory, if your tax liability is over \$2,500 per quarter.
29. Penalties for late filed 1099's are large and ARE NOW BEING ENFORCED. If you need to file 1099's, provide your information to us by the first week of January. Must be mailed to recipients and filed with the IRS by 1/31/2021.
30. Increased and enforced penalties for Foreign Bank accounts requiring filing FBAR form. Bring bank name, address, account number, and maximum amount in account for EACH account. If you are a signer only with no financial interest, you still need to report this information. FBAR forms are due by 4/15/21. We prefer to do them in January.
31. Education credits remain in force.
32. Medical expenses must be over 7.5% of Adjusted Gross Income to qualify as itemized deduction.
33. Hosting an exchange student provides \$50 per month charitable itemized deduction.
34. Hobby losses are a prime target for IRS audits. If you've had Schedule C or Schedule F losses more than 2 out of 5 years, you need to make a profit or close the business -- call me.
35. Repair and improvement deductions have been refined. Many items previously required to be depreciated can now be expensed as repairs. If you have repairs or improvements keep these separate and we'll decide at tax time whether they can be expensed or should be depreciated; or call me now.
36. Educator expenses up to \$250 for educators K-12.
37. Sales tax paid on auto, boats, campers and materials for new home construction, if you itemize.
38. IRA distribution donation to charitable organization are tax free up to \$100,000 per year, this is now permanent. This should be done by everyone that has IRA distributions and makes donations. Must be over 70 ½ years old.
39. Alternative minimum tax exemption has been increased, thus fewer people will owe AMT.
40. Like-kind exchange rules now apply only to real estate. Thus, if you trade in business equipment for new equipment, the trade in value is treated as a sale. The purchase price of new equipment is increased to include trade in and is depreciated.

ITEMS OF INTEREST

1. If someone in your family dies and the estate is NOT required to file an estate tax return, you should still have real estate appraised.
2. Estate tax required if over \$11,500,000 of assets.
3. Federal per diem lodging rate CANNOT be used to substitute lodging deductions. SAVE RECEIPTS for lodging.
4. If you have a sole proprietorship schedule C or schedule F business and want to deduct cost of health coverage for employee—spouse, be sure the health coverage is in name of spouse (or it will not be deductible).
5. Gift tax exemption is \$15,000 per person per year.
6. If you were born 1-1-1956, you are considered age 65 for 2020.

NEW YORK STATE

1. New York State tax rates max out at 8.82%.
2. Standard deductions are:
 - Single - \$8000
 - Married filing jointly - \$16,050
 - Married filing separately - \$8000
 - Head of household - \$11,200
 - Dependent filers - \$3100
3. Exemptions are \$1000 each – only for dependents
4. LLC must file annual fee by 3/15/2021. Fees vary based on gross receipts.

5. Sport Utility Vehicles (SUVs) do not qualify for Section 179 expensing (except farmers). An adjustment must be made on New York taxes for this.
6. Long term care insurance is a credit of 20% of the premium paid. This is a nonrefundable credit. Unused credit can be carried over. Credit caps at \$1500.
7. Estimated taxes – income under \$150,000 – 90% of 2020 tax or 100% of 2019 tax. Income over \$150,000 – 90% of 2020 tax or 110% of 2019 tax.
8. USE TAX. If you made purchases and did not pay sales tax at the time of purchase, you must pay sales tax with the income tax return. This includes garage sales, foreign purchases, and items on which you may have mistakenly declared farm exemption.
9. Clean heating fuel credit for bio-diesel heating or hot water in residential areas.
10. NYS has a refundable nursing home assessment tax credit. Any individual that "private pays" the nursing home can get this. Many people who do not have to file will want to, in order to receive this credit. Need copies of monthly bills. Some credits are over \$8,000 per year.
11. \$200 credit for volunteer firefighters or ambulance workers (for entire year). Must be full year resident. Many people who do not have to file will want to, in order to receive this credit.
12. NY has "decoupled" from IRS in regards to itemizing deductions. You may now itemize on NY even if you do not on federal. Also, NY allows miscellaneous deductions (travel, dues, investment expense). NY allows moving expenses under "old law". Also, no \$10,000 limit on real estate taxes. This will affect many clients.

Privacy Notice

The Office of M. Burton Marshall is committed to respecting the individual privacy of our customers. In accordance with federal regulations, we are giving you this notice to tell you how we may use information about you or your account.

Information We Collect

We collect nonpublic personal information about you to prepare your personal income tax returns from the following sources:

- Information we receive from you, which may include your name, address, social security number and income in written form, by phone, by email, by mail and by personal interview.
- Information we receive from others, with your authorization.

Information We Disclose

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law.

As an income tax preparer, I am prohibited by Internal Revenue Code Section 7216 from disclosing your income tax information without your consent.

Our Security Measures

We restrict access to nonpublic personal information about you to those employees who need to know that information to provide services to you.

We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

You do not need to call or do anything as a result of this notice. It is meant to inform you of how we safeguard your nonpublic personal financial information. You may wish to file this notice with your tax papers.

If you need any additional information or have any questions, please call:

M. Burton Marshall
11 Maple Ave,
Hamilton NY 13346
(315) 824-2811 1-800-642-6625

INTERNAL REVENUE SERVICE (IRS) REGULATIONS REQUIRE US TO KEEP ON FILE A COPY OF TAXPAYER AND SPOUSE PHOTO ID(S) AND SOCIAL SECURITY CARD(S), AND SOCIAL SECURITY CARD(S) FOR ALL DEPENDENTS.

IF YOU HAVEN'T DONE SO IN THE LAST YEAR, PLEASE MAIL OR UPLOAD TO OUR SECURE WEB SITE A COPY OF PHOTO IDS AND SOCIAL SECURITY CARDS, OR BRING THEM IN TO OUR OFFICE AND WE'LL MAKE A COPY.

WE'D LIKE TO HAVE THESE BY 1/4/2021.