

Deadlines & Misc.

First Quarter Estimated Tax Payments are due by Thursday, April 15, 2021. **(This has not been extended)** - See Page 3.

DEADLINES

Monday, May 17th is the deadline for timely filing or extending individual income tax returns. In order to avoid penalties and/or interest, 2020 tax due must be paid with the filed return or extension by May 17th.

PERSONAL PROPERTY TAX

First half taxes are due on or before April 30, 2021. Personal property affidavits are also due April 30, 2021.

STUDY CLUBS

If you would be interested in having us speak at one of your upcoming Study Club events, we would be happy to do so. We can cover a variety of topics including long-term financial planning, transition planning, tax savings opportunities, and more.

Contact our office for more details. 425.216.1612 or mail@cpa4dds.com

CONTACT US

5808 Lake Washington Blvd NE
 Suite 101
 Kirkland, WA 98033
 425.216.1612 | 425.216.1613 fax
mail@cpa4dds.com



DG Advisors LLC
 Proactive Tax & Profitability Solutions™
 A DENTAL GROUP COMPANY



Helping Dentists Make Smart Decisions about Money

TAX SEASON GETS ANOTHER EXTENSION

With many taxpayers still feeling the impacts of COVID-19, the IRS has pushed the deadline for individual income tax returns back a month to May 17th. Unlike the July extension last year, this only applies to individual returns (Form 1040), and does not include estimated tax payments for 2021. If you are required to make estimated payments (typically those who report their business income on Schedule C), the first 2021 payment is still due on April 15th.

IRA/HSA Deadline: A further change was added so that contributions to your IRA or HSA for tax year 2020 are also due May 17th.

It should be noted that last year's extension originally was limited in scope before being expanded in response to numerous complaints. We will see if that happens again this year with any additional changes.

Should you still need more time to file, you can request an extension to October 15th. However, if you still owe money for 2020 taxes, that amount is considered due on May 17th, so we will need to make an estimate of what your final status will be before filing an extension.

2021 Projections and Estimated Payments

Taxpayers are required to pay in a minimum amount of taxes via withholding or estimated payments throughout the year. That can either be 90% of your projected tax liability or 100% of the prior year's tax (110% for higher earners). As your 2020 income was likely lower than a normal year (perhaps much lower), you are allowed to rely on this for making your 2021 estimated payments. Of course, if your 2021 income returns to a normal amount, you would end up owing the difference in tax next April. However, you would not owe any underpayment penalties or interest as long as you meet the prior year safe harbor.

So, it becomes a question of being able to save money during the year and put it to other uses, or having the peace of mind knowing you have paid in enough and won't have a large bill come due in April 2022. Be sure to work with your account manager so we can plan accordingly.

Taxation of Unemployment Benefits – A Reprieve

Unemployment benefits have generally been taxable for federal income purposes. However, as many people filed for unemployment for the first time in 2020, some were caught unaware of this fact. The default is to have 10% put aside for federal income tax withholding, but many chose not to have any withholding. And for those that did withhold, 10% was often not enough to cover the tax on their benefits.

The IRS recently granted another COVID-related gift to taxpayers, allowing some unemployment benefits to be excluded from income tax. If your Adjusted Gross Income (not including unemployment) is less than \$150,000, you can exclude up to \$10,200 of unemployment from your taxable income. Unlike certain tax breaks, there is no phase-out range. The \$150,000 is a hard cut-off. Income of \$149,999 gets the whole exclusion, \$150,000 and up gets none. And that is true regardless of whether you are single or file a joint return with your spouse. If both spouses have unemployment income, however, they can each use the \$10,200 exclusion so long as their combined income is less than \$150,000.

Of course, this change happened after many had already filed their 2020 income tax returns. Normally this would require amending your return to claim the refund. However, the IRS has said they should be able to handle the refunds without an amended return, but further guidance is likely to come.

Above-the-Line Charitable Deduction

Typically, tax breaks for charitable donations are only available to those who itemize their deductions. For 2020 and 2021, even those who do not itemize can get a small deduction, however the amounts are different depending on the year. For 2020, it is up to \$300 per tax return, so the limit is the same whether you are single or file a joint return. For 2021, it is \$300 per spouse, so a married filing joint return could potentially get a \$600 deduction. Be sure to keep track of your donation receipts even if you typically have used the standard deduction.

Reminder: RMDs are Back

For 2020, required minimum distributions were waived for IRAs. Thus, for those over 72 (or 70 ½ if you fell under the old rule), you did not have to take out potentially taxable income. As RMDs are based on the balance at the end of the prior year, it also prevented you from having to take potentially large sums out of your accounts when the balance took a large hit last spring. However, things are back to normal for 2021, so if you are required to take an RMD, be sure you work with your broker or plan administrator to ensure the proper amounts are being taken out.

Dental Group Portal Reminder

Effective June 1st, 2021, the old Net Client Portal system will be no longer be accessible. If you have documents in the old portal system that you have not downloaded, please do so before June 1st. If convenient, you may upload those documents to the new TaxCaddy software and use that as your storage location. If you later realize you need something, simply call and we can email it to you via a secure and encrypted email.

FIRST QUARTER 2021 ESTIMATED PAYMENTS

THIS IS ONLY FOR THOSE THAT PAY BY QUARTERLY INSTALLMENTS

We highly encourage that estimated payments be made online at EFTPS.gov – this very convenient site allows you to enter multiple payments and dates in advance. Call us if you need help!

However, if you still prefer to mail in a paper check:

If we have prepared your 2020 return, you will find pre-printed estimated tax payment vouchers in your online secure portal or in your folder if we mailed your tax return to you. Otherwise, detach or photocopy the voucher below.

1. Complete the name, address and social security number sections.
2. Fill in amount (call us at 425.216.1612 if you have questions regarding the amount).
3. Address your envelope to:

**Internal Revenue Service
PO Box 510000
San Francisco, CA 94151-5100**

4. Make your check payable to the **United States Treasury**.
5. Note your social security number and “2021 1040-ES” on the memo line of your check.
6. Enclose the voucher and check in your envelope addressed to the Internal Revenue Service (see above).
7. Mail on or before Thursday, April 15, 2021.

Tear off here

Form	1040-ES <small>Department of the Treasury Internal Revenue Service</small>	<h2>2021 Estimated Tax</h2>	Payment Voucher 1	<small>OMB No. 1545-0074</small>		
File only if you are making a payment of estimated tax by check or money order. Mail this voucher with your check or money order payable to “United States Treasury.” Write your social security number and “2021 Form 1040-ES” on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.			Calendar year – Due April 15, 2021			
			Amount of estimated tax you are paying by check or money order.			
			Dollars	Cents		
Pay online at www.irs.gov/efpay Simple. Fast. Secure.	Print or type	Your first name and middle initial		Your last name	Your social security number	
		If joint payment, complete for spouse				
		Spouse's first name and middle initial		Spouse's last name		Spouse's social security number
		Address (number, street, and apt. no.)				
		City, town, or post office. If you have a foreign address, also complete spaces below.			State	ZIP code
		Foreign country name		Foreign province/county		Foreign postal code

For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Form 1040-ES (2021)