BENDER, CICCOTTO & CO.
Certified Public Accountants, LLP

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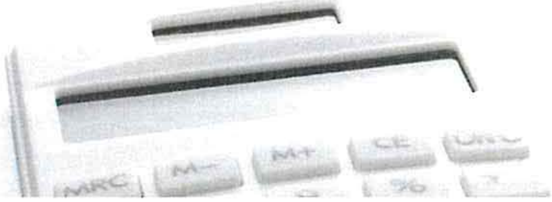

CLIENT UPDATE

FALL 2021

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Ideas to lower your 2021 tax bill

Now is the time to begin tax planning for your 2021 return. Here are some ideas:

Contribute to retirement accounts

Add to your IRA or your employer-provided retirement plans. Remember, you can reduce your 2021 taxable income by as much as $19,500 by contributing to a retirement account such as a 401(k). If you're age 50 or older, you can reduce your taxable income by up to $26,000!

Donate to a charity

If you don't have enough qualified expenses in order to itemize your deductions, you can still donate to your favorite charity and cut your tax bill. For 2021, you can reduce your taxable income without itemizing by up to $300 if you're single and $600 if you're married by donating to your favorite charity.

Consider a donor-advised fund

Consider donating multiple years-worth of contributions to a donor-advised fund if you have the available cash so you can exceed the standard deduction this year. Then make your cash contributions from the donor-advised fund to your favorite charities over the next three years.

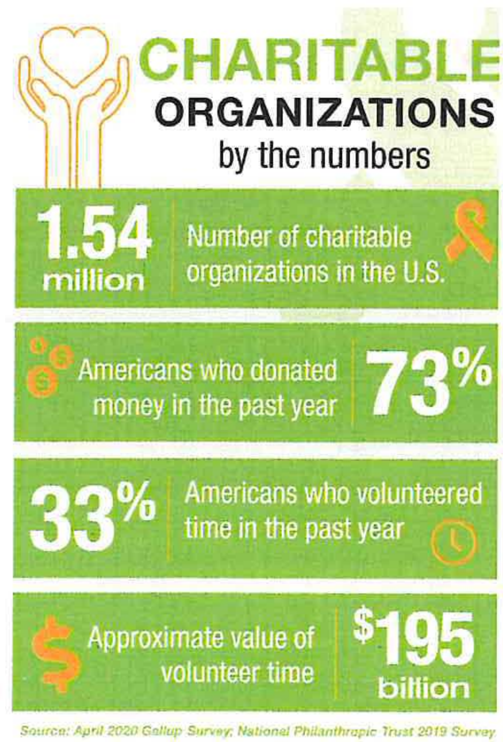
Increase daycare expense deduction

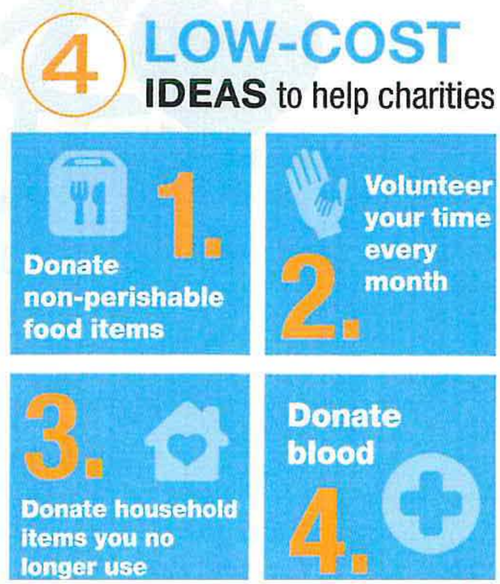
The child and dependent care credit has been significantly increased for 2021. Consider whether it makes sense to increase your daycare expenses in order to take advantage of this larger credit amount. If you have one qualifying dependent, you can spend up to $8,000 in daycare expenses while cutting your tax bill by $4,000. If you have more than one qualifying dependent, you can spend up to $16,000 in daycare expenses while cutting your tax bill by $8,000. To receive the full tax credit, your adjusted gross income must not exceed $125,000.

Contribute to an FSA or an HSA

If you have a flexible spending account (FSA), you can contribute up to $2,750 in 2021. This allows you to pay for medical expenses in pre-tax dollars! Even better, unspent funds in an FSA can now be rolled from 2021 to 2022. And if you have a health savings account (HSA), you can contribute up to $3,600 if you're single and $7,200 if you're married. If you currently don't contribute to an FSA or an HSA, ask your employer if either or both are offered, and how you can sign up.

Please call to discuss these and other tax planning opportunities. ♦





Common tax mistakes when selling a home

With home sales booming throughout much of the country, you may decide that now's the right time to put your abode on the market. If you put your primary residence up for sale, try to steer clear of the following tax mistakes.

- **Not qualifying for the home sale exclusion.** If you've owned and used your home as your principal residence at least two out of the last five years, you can can exclude from your taxable income the first $250,000 of gain if you're single and $500,000 if you're married.

  What you can do: *Consider a delay of selling your home until you meet the 2-out-of-5 year threshold. If you can't qualify for a full exclusion, you may qualify for a partial exclusion if your sale results from an employment change, a need for medical care or other IRS-approved circumstances.*

- **Forgetting to deduct points.** If you were charged a bank fee (also called 'points') on your current mortgage that you haven't deducted on a previous tax return, include the balance of these points on your next tax return. Too many taxpayers forget to do this and lose thousands in deductions.

  What you can do: *Review your loan documents before selling your property. Identify all costs, including points, that are included in the loan. Save the document with your tax records to ensure the deduction is not forgotten.*

- **Not double-checking your settlement statement.** Closely review the closing statement. It is easy to assume all the numbers are correct and the math is done right. Sometimes this is not the case! And a mistake here could be costly.

  What you can do: *Review the closing document multiple times. Have your Realtor and closing agent explain items you don't understand. Pay special attention to property taxes, as this should be allocated between the seller and the buyer. Only pay the share of the bill that covers the time period when you're the owner.*

Since selling a home is not an everyday occurrence, it is easy to make a mistake. If you need help with these or any other tax questions surrounding the sale of your house, please call before you sell! ♦

IRS Update

IRS continues to issue refunds, recalculate taxes on unemployment benefits

The IRS is continuing to issue refunds this summer as it adjusts unemployment compensation from previously filed income tax returns. The IRS will automatically refund money to people who filed their tax return reporting unemployment compensation before a new law made the first $10,200 of unemployment compensation tax free. Any resulting overpayment of tax will be either refunded or applied to other outstanding taxes owed. Taxpayers should receive a letter from the IRS within 30 days of the adjustment, explaining what kind of adjustment was made and the amount of the adjustment.

Tax relief extended to 12/31 for employees who receive COVID assistance from charities

Employees who receive cash payments through Dec. 31, 2021 from charitable organizations which provide relief to victims of the COVID-19 pandemic in exchange for sick, vacation or personal leave will not be treated as receiving the value of the leave as income. The original relief provision was only available through Dec. 31, 2020.

No change to third quarter IRS interest rates

Interest rates for the third quarter in 2021 will remain the same compared to last quarter. These rates include: 3% for overpayments (2% for corporations); 0.5% for the portion of a corporate overpayment over $10,000; 3% for underpayments and 5% for large corporation underpayments. ♦

Tax Calendar

October 15

- ☐ Filing deadline for 2020 individual tax returns on extension.

During November

- ☐ Estimate your 2021 income tax liability and review options for minimizing your 2021 taxes. Call to schedule a tax planning review.

Help! I just got a letter from the IRS

If you receive a notice from the IRS, do not automatically assume it is correct and submit payment to make it go away! Because of all the recent tax law changes and so little time to implement the changes, the IRS can be wrong more often than you think. These IRS letters, called correspondent audits, need to be taken seriously, but not without undergoing a solid review. Here's what you need to do if you receive one.

Stay calm. Don't overreact to getting a letter from the IRS. This is easier said than done, but remember that the IRS sends out millions of these correspondence audits each year. The vast majority of them correct simple oversights or common filing errors.

Open the envelope! You would be surprised how often taxpayers are so stressed by receiving a letter from the IRS that they cannot bear to open the envelope. If you fall into this category, try to remember that the first step in making the problem go away is to open the correspondence.

Conduct a careful review. Review the letter. Understand exactly what the IRS is explaining that needs to be changed and determine whether or not you agree with their findings. The IRS rarely sends correspondence to correct an oversight in your favor, but sometimes it happens.

Respond timely. The IRS will tell you what it believes you should do and within what time frame. Ignore this information at your own risk. Delays in responses could generate penalties and additional interest payments.

Get help. You are not alone. Getting assistance from someone who deals with this all the time makes the process go much smoother. And remember, some of these letters could be scams from someone impersonating the IRS!

Correct the IRS error. Once you understand what the IRS is asking for, a clearly written response with copies of documentation will cure most IRS correspondence audits received in error. Often the error is due to the inability of the IRS computers to match documents it receives (for example 1099s or W-2s) to your tax return. Pointing out the information on your tax return might be all it takes to solve the problem.

Certified mail is your friend. Any responses to the IRS should be sent via certified mail or other means that clearly show you replied to their inquiry before the IRS's deadline. This will provide proof of your timely correspondence. Lost mail can lead to delays, penalties, and additional interest tacked on to your tax bill. ♦

New child tax credit update

*For 2021 only, the CTC is fully refundable

To receive the *full* tax credit of:

$3,000/child (ages 6 – 17) ***or***

$3,600/child (ages 5 and under)

...your income must be under:

$75,000 (Single)

$112,500 (Head of Household)

$150,000 (Joint)

To receive the *partial* tax credit of:

$2,000/child

...your income must be under:

$200,000 (Single, Head of Household)

$400,000 (Joint)

- Taxpayers started receiving advance payments for the 2021 child tax credit in July.
- Please call if you haven't received any of the advanced payments so far and believe that your family is eligible to receive the payments. The payments are automatic, so if your family is otherwise eligible, you should have started receiving payments in July.
- It's not too late for families to sign up for the advance payments. If you didn't file a 2019 or 2020 tax return but are otherwise eligible for the child tax credit, you can register for the payments by visiting irs.gov/credits-deductions/child-tax-credit-update portal.
- You can stop payments at anytime. Getting half of your child tax credit ahead of time may not be the right move for everyone. For example, if your 2021 income ends up higher than expected, you may need to pay back the advance payments when you file your tax return. To stop receiving advance payments, visit the website mentioned above. ♦

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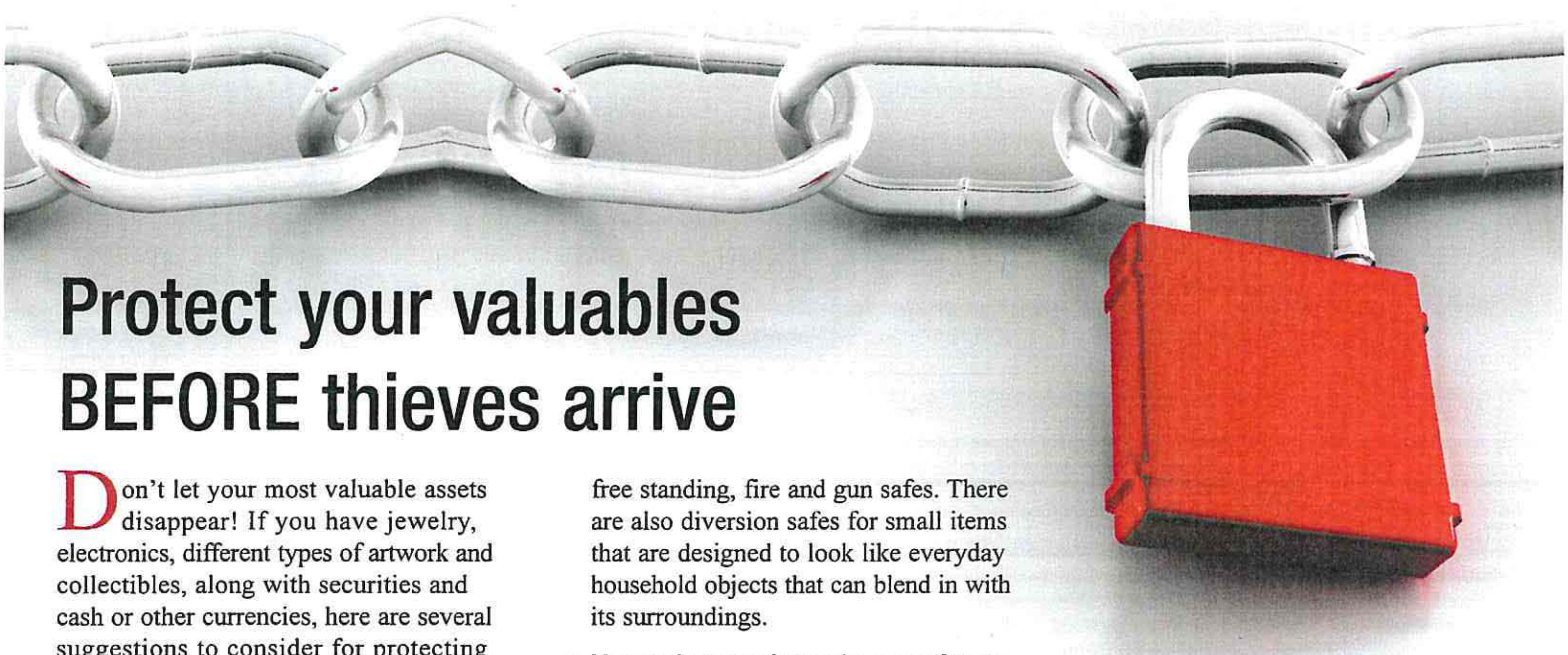
PRACTICAL TAX & FINANCIAL ADVICE



Protect your valuables BEFORE thieves arrive

Don't let your most valuable assets disappear! If you have jewelry, electronics, different types of artwork and collectibles, along with securities and cash or other currencies, here are several suggestions to consider for protecting your valuables from would-be thieves:

Ideas to protect your valuables

- **Rent a safe deposit box.** It may make sense to keep important documents and other paper assets, including stock certificates, at a reputable bank. When you start renting a safe deposit box, you should receive a lease agreement that explains how long you have access to the box, along with what you can and can't store in it. The lease agreement may also have a clause explaining when a bank can force open and dispose of whatever is in inside of the box.
- **Install a home safe.** There are several types of in-home safes you can choose from, including wall, floor, free standing, fire and gun safes. There are also diversion safes for small items that are designed to look like everyday household objects that can blend in with its surroundings.
- **Upgrade your home's security.** In addition to installing a state-of-the-art home security system, there are several other ways to physically secure your home. Consider updating your locks every several years, and remember to actually use them! Many burglars are looking for easy targets, and unlocked doors and windows provide easy access. Also consider reinforcing your doors and windows, and installing motion-sensing lights both inside and outside.

Be prepared if a theft occurs

Unfortunately, thieves can still sometimes swipe your valuables despite multiple layers of protection. Here are some suggestions to help you be prepared if any of your valuables are stolen:

- **Be familiar with your insurance policy.** Read your insurance policy to know what items are covered. Review your policy once a year or whenever you acquire another valuable asset.
- **Get an appraisal.** It may be difficult to know how much insurance you need without a proper valuation of your assets. Some assets may be worth much more than you think, while other assets may be difficult to pinpoint a value without professional assistance.
- **Keep a home inventory.** Create a list of all your valuables that includes photographs and purchase receipts. If an asset is stolen, having this inventory always up-to-date can help quickly jump-start filing an insurance claim. ♦