

Circle Tax & Accounting

6324 N Chatham Ave #206 * Kansas City, MO 64151 * 816.753.1700 * questions@circletax.com

January 6, 2021

Dear Circle Tax Family,

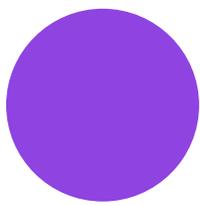
Happy Tax Season! It has been a crazy year for most people and that means changes for your 2020 tax return. I apologize that this letter is significantly longer than normal, but I feel there is a lot of information I need to get out. First, as of the writing of this letter, we do not know exactly when the IRS will start accepting the 2020 filings, but we anticipate it will be around the third or fourth week of January. We anticipate that most filers will see their refunds in 2-3 weeks as usual. As with previous years those with EIC will take slightly longer to verify information. Last year we saw an increase in requests from the IRS to verify identity of the taxpayer. Please make sure you open any correspondence you get from the IRS as soon as it is received. Please note there are several changes for 2020 so pages 2-4 have more details about things that may apply to your tax return.

As in previous years, our base fee will include federal, MO, KS and KCMO returns (if applicable). This also includes e-filing of all of them. KCMO is now allowing us to e-file the returns. If you have a refund* or zero balance, we will automatically set it to e-file unless you tell us you prefer to mail. If you have a balance due to KCMO then we will only e-file if you want to direct debit the payment. Otherwise, you will need to mail the return and payment.

We will be using engagement letters again this year. When you submit your documents, we will review what you have submitted and let you know if we are missing anything. Then we will send you an engagement letter telling you what we will be filing and the cost. Once that is signed, we will process the return. If you would like a paper copy of the return, we will be charging a \$10 fee (you will initial it on the engagement letter). This fee is for printing and mailing the documents. If you mail us documents, we would prefer you give us copies, so they do not get lost in the mail. However, if you do provide us with originals, we will be happy to return those. If you would like documents returned, but do not need a copy of the tax return please let us know. All copied documents are properly shredded and disposed of for security.

Because of COVID restrictions the best way to get us documents this year is by uploading them to Sharefile. You can also mail or fax copies of your documents. If you would like to drop off documents, please call our office. We are working with our friends at Doggie Style Bowtique to again allow drop offs but want to make sure we handle it in a safe way. Since she is a small business with COVID cleaning restrictions we do not want to add to her burden. Once you send us documents, please send us an email, or call us to let us know you have submitted everything.

The best way to contact us during tax season is by calling our main number at 816-753-1700 or by sending an email to questions@circletax.com. Please use this email address as it is monitored by me and my staff members. Please call or email if you have any questions or concerns. We are unable to respond to text messages during tax season. *Also note my children are doing virtual school this year. My employees are working hard to take information and get back to you with answers. Please provide them with detailed information or send an email if you think it is too complex. My children have zoom meetings throughout the day and it makes it hard for me to be on phone calls during business hours.*



This year our deadline to receive documents, if you want them completed before April 15th, will be March 25th. If for some reason you believe that you will not have all your documents by then, please provide us with what you do have as early as possible and let us know you are still waiting. It is much easier to add one document to complete the return.

Finally, we appreciate you telling your friends about us, we will take on a limited number of new clients this year if you would like to refer a friend to us. If someone is looking for a new accountant or tax preparer, we would prefer they contact us during off season so we can determine if it is a good fit outside of our busy time.

Sincerely,

Aimee L Sanita

Aimee L Sanita, EA

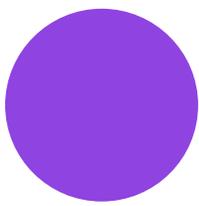
Here are a few things you may have questions about this year with changes due to COVID:

Income

1. **Unemployment**—A lot of people received unemployment this year due to the shutdown. If you did collect unemployment for even a week or two you will receive a 1099. They may not mail those documents out. You may have to log into your For those that received unemployment payments you will receive a 1099 showing the amount paid and any withholding. Please realize that you had the option to withhold federal taxes but not state. So you will most likely have to pay some state taxes if you collected unemployment. The unemployment is reported to the state you earned it from even if you live in a different state.

Deductions

2. **Working from home as an employee**—Unfortunately with the TCJA (Tax Cuts and Jobs Act) unreimbursed employee expenses were discontinued. Thus, the deduction for home office was removed along with any other expenses you incur as an employee.
3. **Working from home for Self-Employed**—If you are a contractor or business owner (**not an S-Corp owners/employee**) you may already be deducting your home office. However, if you have not taken it in the past and this year you worked from home due to COVID we **may** be able to take those expenses.
4. **Charitable Contributions**—There is a new allowable deduction under the CARES act. This allows anyone that does not itemize to deduct up to \$300 of cash contributions made in 2020.



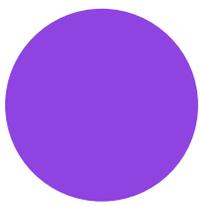
Other things that might impact your refund

5. ***Working from home KCMO earnings**—Generally employees that work in KCMO are required to have KCMO earnings withholding from their pay. For those who do not live in KCMO you are able to apply for a refund based on the number of days work outside the city. In prior communications with the finance department, it was said they would be refunding withholding based on those who were working from home. However, in December, St. Louis stated they would not refund money due to working at home and KCMO has indicated they may follow suit. So, at the time of writing this letter if you live outside KCMO and have been working from home please figure out the number of workdays you have worked from home. Also have contact information for a manager or HR person (name, phone, and email) so we can file the return for a refund if we are able. Unless we are told otherwise, we will plan to request refunds for working outside the city.

Also note if your employer is going to continue to have you work from home you should check with your payroll/HR department to have them stop withholding KCMO if you live outside the city. Companies are required to withhold KCMO taxes for those working in the city. If you are not working in the city, they are not required to withhold it. If you do live in KCMO then they should continue to withhold it.

6. **Stimulus Payments**—Many people received direct deposits or checks in 2020. In 2020 there were two stimulus bills that issued immediate payments to those making under \$99,000 (or \$198,000 if married). The first round of checks was \$1200 (or \$2400 if married) plus \$500 per child under 17. The second round (which was just approved in the final days of 2020) was \$600 per person (again only including dependent under 17). We will need to know how much money was issued for both of these checks. I anticipate they will have a place on their website soon that will allow us to look up those payments.

If you did not receive the stimulus check or did not receive the full amount you may qualify for more now. For example, if your 2019 income was above the limits but your 2020 income is below you will qualify for more money. If you have a new dependent in 2020 you will receive additional money. PLEASE NOTE: The Stimulus money is NOT taxable! You also will not have to repay anything if your situation changed for the better in 2020. So for example, in 2019 you made less than \$75,000 and got a full refund but in 2020 you made \$150,000 so you no longer qualify. You still get to keep the money.



Business Information

- Business Loans (PPP or EIDL)**—If you received any SBA funding due to business closures please let me know. Some things are loans and others are forgivable or grants and may need to be treated differently. From the bill that was recently passed we anticipate that we don't have to take any special action for this but it may affect your basis in the company. If you have a loss due to this government assistance realized that there are new rules for loss carrybacks. I will discuss that with you if it comes up so we can determine the best option for you and your situation. Also note there is a second round of PPP funding coming out shortly. This round has slightly different rules but if you have a business that has lost revenue this year due to COVID you may be eligible. Please let us know if you are interested in filing for assistance.

Tax Holiday

- FICA tax holiday**—In September, an executive order was signed that allowed employers to temporarily stop withholding FICA taxes (social security and medicare). Many employers opted out of this option. However, government employees were sent a letter and this extra money showed up in their paychecks. The problem? Starting January 1, it must be repaid between January 1 and April 30, 2021. Note: **THIS DOES NOT REQUIRE YOU TO PAY IT WITH YOUR TAX RETURN AND THUS DOESN'T CHANGE YOUR 2020 FILING.** This is something the employer will take out evenly over those pay checks. The only impact this may have on your filing is that employers are to file your W-2 without showing the social security and medicare that should have been withheld. And then when it is all repaid you will receive a corrected W-2. For the most part this may mean nothing when it comes to filing. However, if you live in Missouri and itemize deductions it may impact your Missouri return. We may want to wait to file for those that will get adjusted W-2s if you are itemizing in Missouri.

Please check out our website www.circletax.com for all the up-to-date information. You can also follow us on Facebook @CircleTaxAccounting (<https://www.facebook.com/CircleTaxAccounting>).