

Tips for Tax Season

As the 2021 Tax Season commences, I have listed a few reminders and suggestions for you to consider. The IRS began receiving returns on January 24th. Due to being short staffed, if you anticipate a refund you may want to file your tax return as soon as you have received all of the necessary tax documents for 2021.

Retirement Income, Distributions, and Rollovers

All 1099s for income such as contract work, pension, Social Security, distributions, and rollovers are required to be sent by January 31. We have noticed a delay in the US mail recently, but you should be receiving the paper copies shortly. If you haven't received the 1099s from your accounts with us, please contact us and we can send them to you electronically.

If you rolled over any retirement accounts in 2021, please note the Distribution Code in section 7 that states "G" which indicates a direct rollover and is a non-taxable transaction. Also, if you converted a portion of your IRA to a Roth and are younger than 59 ½, the Distribution Code will show a code "2" for a known exception to an early distribution.

If you made a Qualified Charitable Distribution (QCD) from an IRA, the 1099 will not separate the QCD from your total distributions. Therefore, please remind your tax preparer of the non-taxable QCD portion. One suggestion would be to write "QCD" on the top of the receipt from the charity or provide your IRA statement showing that the distribution went directly to the charity.

Non-retirement Accounts

If you have a non-retirement account such as an Individual, Joint, or Trust, the 1099 is required to be sent by the end of February. The non-retirement account 1099s are allowed a longer timeframe to help eliminate errors and reduce the need to file amended tax returns. Therefore, it is recommended that you wait until mid-March to file your tax return.

Advance Child Tax Credit (AdvCTC) Payments

If you received an Advance Child Tax Credit payment beginning last July, you should have already received an AdvCTC Letter 6419 for each spouse. This form is essential and contains the information your tax preparer will need to file a Schedule 8812. If you qualify for the credit based on your income, the advanced payments should represent half of the available credit.

Traditional or Roth Contributions

You can still make Traditional or Roth Contributions up until you file your tax return. Be sure to let your CPA know of any 2021 contributions made after 12/31/2021.

Tax Form 5498

Tax Form 5498 is for information only and does not need to be filed with your tax return. You may receive the form as early as January, but may not receive it until May. The form provides a wide range of information: year-end balances, contributions, RMD information, and conversion amounts.

As always, please contact us if any questions arise while preparing your taxes.

Kind regards,

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