Strauss Tax Service
Financial and Tax Consultant

30 East Huron St., Suite 1101
Chicago, IL 60611
(312) 988-9996
(630) 964-4018
Fax: (312) 988-9997
www.strausstax.com
Email: judi @strausstax.com

THE STRAUSS REPORT

Summer 2021

Truly – A Year unlike any other….

It is truly summer in Chicago now. If we are vaccinated, we can finally see friends and family, hug our grandchildren, and even go to a Cubs game. Many of us are getting on a plane for a short or even longer vacation. Some of us are deciding if we are headed back to the office or will continue to work remotely. Covid is not over, but we hope that the worst part of the past year is behind us.

However, taxes and financial issues do not go away. We are working hard to finish work that was begun and is still unfinished during the crazy tax season. We are working to get refunds for clients and navigate the less efficient (by far) IRS and IL with notices and bills and other issues. We also continue to provide the most recent information through our newsletter and are doing summer consultations for retirement planning, estimated tax changes and often just phone calls – to listen, to help, to advise and to explain. In this issue of **The Strauss Report** we will provide "things to know now" about delayed refunds and other issues from the Secure Act, the new American Rescue Act, and the need to withdraw your RMD for 2021 (since for many of us it was not required last year.) We will continue to remind you to keep good tax records ALL year for your 2021 tax returns, including medical expenses and charitable contributions.

THINGS TO KNOW NOW:

- **While there were extensions for your 2109 tax filing, until July 15, the extension for 2020 taxes is past!** There also is NO extension to pay your Estimated taxes- which are due June 15, September 15, and January 15, 2022. There is NO extension to pay your Real Estates taxes either.
- **That does not mean your refund will be coming as fast as in prior years**. First the American Rescue Plan excluded the first $10,200 of unemployment compensation (per taxpayer) for households whose AGI is under $150,000 for all of 2020. This law was passed during tax season when many taxpayers had already filed their taxes. Our software updated in Mid-March, but the IRS has identified 13 million taxpayers that may be eligible for the adjustment/refund from this change. As of June 4, the IRS is sending more than 2.8 million refunds from this change - the next set of refunds is set for mid-June. The review of returns and processing corrections will continue during the summer- as the IRS has begun with the simplest returns and move on to the more complex ones.
- **In addition, many of us had less income in 2020 than in the prior year, due to being laid off, having less hours on our jobs or not taking out our RMD (which was not required last year).** The IRS is reviewing all returns (29 million as of today!) by hand in their "error resolution department" with additional rebate monies and possible credits for education as well. You will get a letter from the IRS, generally within 30 days of the adjustment providing an explanation and the amount of the refund. We have quite a few clients who are "missing" any refund due to this review.
- **Taxpayers who, for 2020, purchased health insurance through the marketplace with advance payments of the premium tax credit will not have to repay any excess on their 2020 taxes.** If we filed with this repayment, you should get a refund of this money – eventually…
- **Most of us got our 2021 third Stimulus payment.** As of June 4, another $1 billion of stimulus checks went out through the mail with over $12 million sent through direct deposit. They indicate that if there are issues such as incorrect direct deposit information or mail delivery delays, this could

cause even more issues. You can check on your payment via the IRS website: www.irs.gov. We wish we could give better answers, but the IRS is very shorthanded and is also still dealing with paper returns and correspondence from 2019 and 2020!

- **Both the IRS and IL are still sending notices because anything sent into them in paper (which is required when replying to a notice) is still in the manual review queue.** Please do not panic but send us (via email or snail mail) the notice so we can calm you down and help you as best we can.
- **If you are impacted by any of the above, and would like us to monitor your refund, email or call us and we will add you to our list of clients who we need to help with this.** Beth and I will check every two weeks and keep you posted when we have something to tell you.

THINGS TO KNOW NOW: THE AMERICAN RESCUE PLAN ACT OF 2021

1. Families with children are winners under this new law. It increases the amount of the child credit, increases the amount of eligible expenses for the child and dependent care credit and makes them refundable.
2. **For 2021 only, parents can receive up to $3000 for each child aged 6 to 17 (or who turn 17 in 2021), or $3600 for children under 6.** They can decide if they would like to get half of that credit in advance. If your family is qualified (income under $75,000 for single taxpayers and $150,000 for married filing joint, with phaseouts above these levels. You can expect to see your first partial payment on July 15. But before that date you can go to two portals on IRS.gov (estimated date of July 1) that will help with this rollout. One will give parents the chance to decline the monthly installments if they prefer to get one lump sum in 2022. The other will be to report changes in circumstances such as birth of a child or change in marital status.
3. **The monthly advance payments will be estimated from the filed 2020 tax return. They will need to be reconciled when we file your 2021 taxes.**
4. **The Child and Dependent Care credit has also increased substantially.** For 2021, eligible families can claim the credit for expenses up to:
    a. $8,000 for one qualifying individual, up from $3,000 in prior years, or
    b. $16,000 for two or more qualifying individuals, up from $6,000 before 2021.
    c. The maximum credit for 2021 is 50% of the qualifying expenses – or $4000 for one child and $8,000 for two or more dependents.
    d. The income limits have also been raised substantial – to $125,000.
    e. The maximum must be reconciled with pretax employer benefits, the same as in prior years, However, the maximum DCB is increased from $5000 to $10,500 - check with your employer- this is HUGE!

IL UNEMPLOYMENT- Questions and Answers…

The $1.9 trillion stimulus package added an extra $300/ week to unemployment benefits for 2021. While unemployment fell to 5.8% in May, there are still 7.6 million fewer works than before the pandemic. In IL, this additional unemployment is scheduled to end on September 6 - with many other states stopping payments before that date. It is not expected to be extended. And at least for now, there is NO extension of the exclusion of benefits from federal and IL income tax for 2021.

Please be aware IDES has still been having lots of fraudulent claims. They (or the IRS or IL) DO NOT email you or call you. Please do not answer phone calls, click on any links in emails or give out any personal information!!

WHEW! IS THERE MORE? OF COURSE!!

- The Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed on December 20, 2109. **A major part of this legislation increased the age required for minimum distributions from 70 ½ to 72. This is only for individuals who became 70 ½ after 12/31/2019.**

- **Beneficiaries of inherited IRAs (except the spouse) cannot "stretch" the IRA withdrawals over their lifetimes**. The entire account balance must be distributed within 10 years after the date of death.
- **Repeal of maximum age for traditional IRA contributions.** So long as there is earned wage or consulting) income, an IRA contribution can be made.
- **Required minimum distributions are back for 2021! If you waived your distribution for tax year 2020, you must withdraw in this tax year. You might be surprised at how the required withdrawal has increased: this is because:**
    1. The stock market did quite well in 2020
    2. You did not withdraw last year, and
    3. We are a year older so we must take out more based on the IRS RMD tables.

  You can (as we often recommend) make charitable donations or QCDs from your IRA withdrawal. This allows you and us to subtract your donation from the total taxable withdrawal when we do your taxes. This both does good and saves you taxes! Call us if you need help with the QCD forms....
- **Extension of Certain Expiring Provisions:**
    - Medical Expense floor is back to 10% for 2021. However many of us have a lot of medical with required home healthcare so please continue to monitor your total medical- we can reduce your ES payments if you will itemize in 2021.
    - Mortgage Insurance Premiums Deductible as mortgage interest. Ended 12/31/2020
    - Exclusion from gross income the discharge of qualified personal residence debt up to $2 million. Ended 12/31/2020
    - Health Insurance tax credit, (for insurance bought through the exchange). Ended 12/31/2020
    - Energy Credit for improvements in heating, cooling, windows, doors etc. retroactive to 2018 (for amended returns) and ended 12/31/2020
- IL has an issue when people sell their houses with the Real Estate Tax Credit. We pay IL real estate taxes a year behind so on your closing statement, there are taxes from last year (payable in 2021) and for the part of 2021 you lived there (payable in 2022). Since you lived there and paid it all in 2021, we can take all payments for the IL credit. We have been letting you know to expect an IL notice and we have a form letter to respond showing all the taxes paid before and at the closing!

THINGS TO CONSIDER DOING THIS SUMMER:

1. **Review your withholding**. 1.Your income may be lower in 2021 than in years past. Many of us have had a 20% cut in salary or may not be getting the bonus we expected. We recommend that we review your withholding for 2021 (with the all new W-4 for 2021), so you might get more take home pay which you might need now.
2. Please review your health insurance now to see what it covers and what it does not. Also, if you are furloughed or laid off, please check the cost of COBRA. You also might be eligible on your spouse's plan or through the Health Insurance Exchange due to special circumstances. Please be careful of less expensive high deductible plans – they sound good but can be very costly if you require hospitalization or major medical treatment.
3. Most of us have been working from home and hardly driving. If you did not get one yet, you should ask: most car insurance companies are sending you a rebate check or cutting your new premium 10-15% or more. Also, while we are all working from home, the deduction of our home office disappeared in the 2018 tax bill which eliminated any MISC Deductions on Schedule A.
4. **Review your 401K/ IRA and Other Investments**

   Many of us have several IRAs and investment accounts and have never or hardly ever reviewed how they are performing or what they are invested in. Consider:
   - **Making lists** of all accounts, passwords and contact information
   - **Making an appointment** with your broker or financial advisor to review performance.
   - **Considering if this is a good time to change and/or consolidate investments**.
   - **Reviewing your investments** and possible tax strategies with us or another objective professional.
3. **Read your Trust or Will - or have one done now!**

   Many of us have not looked at our will or trust in five years - or often 10 or more years. And at least one third of us do not have even a will! Your will or trust defines who will manage your affairs and

money if you become incapacitated or pass away. Your will or trust defines who will get your assets and in what percentage. NOW is a good time to review who is your executor or trustee and what you have - before it is too late. We work with attorneys in the area all the time and review trust documents with you for possible tax issues.

STRAUSS TAX SERVICE NEWS! **As many of you know by now, I have sold my DG house (to a lovely young couple with three children under the age of 8!) I have both lived in that house since 1970 and run my suburban office (our main office) from there. We (Beth and I) are now based in my Chicago office and will also have an office in Downers Grove to see clients in person, beginning later this summer. For now, all our files and our computers – and even our office furniture - has been moved. The main office number is still the same: 630.964-4018 on a new cell phone so you will not have to learn a new number. We have been working with our clients- via Zoom, via phone and email and soon in person as well. And if we need to pick up and deliver- to be sure you receive tax documents- Beth is picking up and delivering them.**

STRAUSS TAX SERVICE
30 East Huron Street Suite 1101
Chicago, IL 60611

Judi Strauss, E. A: Every Day ... We continue to have an active Facebook Page- which is updated often. We also post both our newsletter and tax law updates on our website: www.strausstax.com. Or please call us if you have a question! We are here, as always - on the phone, via Zoom or soon in person too, to answer your questions, and work to give you good tax and financial advice on retirement planning, estate and trust taxes (after a loved one passes on) and the full range of the new and complex tax laws now.

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