

Money Talks By David Helscher

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From: David Helscher

We would all like to put 2020 behind us and create some distance from what can generously call an interesting year. The calendar has turned to the new year, yet there is at least one more task to complete, income tax returns. The events of last year were, hopefully, unique, and have created some considerations for the tax season.

The IRS has announced the tax season starts on February 12, 2021. I have to wonder what I have been doing! Still, the IRS will begin accepting and processing 2020 tax returns on that date. The additional time is necessary for them to do some additional programming and systems testing following the December 27, 2020 tax law changes. Without this processing, delays in refunds and processing could be expected. The IRS is urging taxpayers to file electronically. Tax preparers may be accepting returns now to file electronically and they will file these starting on February 12. IRS is estimating refunds from electronic filers to be made by direct deposit within 21 days of electronic filing. IRS is expecting 150 million tax returns to be filed this year, with 9 of 10 filed electronically. The deadline for filing 2020 tax returns is generally April 15, 2021.

Many of you reading these lines received an Economic Impact Payment during 2020. Many of you received another by direct deposit earlier this month or are starting to receive checks now. This payment is not considered income and you will not owe tax on it. This payment will not reduce your refund or increase any amount you may owe when you file. This payment also will not affect income for purposes of determining eligibility for federal government assistance or benefit programs.

The pandemic had a major impact on employment. A large portion of the labor force faced temporary layoffs or even the permanent loss of employment. Many of those affected filed for and received some form of unemployment compensation. The tax treatment of unemployment benefits you receive depends on the type of program paying the benefits. Unemployment compensation includes amounts received under the laws of the United States or a state, such as state unemployment insurance benefits, benefits paid to you by a state from the Federal Unemployment Trust Fund or Federal Pandemic Unemployment Compensation provided under the Cares Act of 2020. If you received unemployment compensation during the year, you must include it in gross income. You should receive a Form 1099-G showing the amount paid to you and any federal income tax withheld. Please review this form carefully to insure proper reporting. You may also want to consult IRS Publication 525 for more information.

Another fond memory we have of 2020 was the August 10 derecho. Victims may have qualified for some deferred tax filing due dates, all of which have already passed. This did not relieve you of the responsibility for filing, it deferred the due date before the imposition of interest and penalties. For instance, those having deadlines falling on or after August 10 but before December 15, such as an extension to file their 2019 tax return, the deadline was postponed to December 15, 2020.

Another consideration, for your 2020 tax return, is the ability to claim unreimbursed casualty losses. Affected taxpayers in a federally declared disaster area have the option of claiming disaster related casualty losses on the federal income tax return for either the year in which the event occurred, or the prior year. Individuals may deduct personal property losses that are not covered by insurance or other reimbursements. You should review Form 4684 and Publication 547 for further details concerning any losses you might claim.

Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. To the extent this material concerns tax matters, it is not intended or written to be used by a taxpayer for purposes of avoiding penalties that may be imposed by law.