

HLW TAX NEWSLETTER

2021



REGULAR OFFICE HOURS FROM NOW THROUGH JANUARY 2022

We have reopened our offices for in person drop offs and appointments. However, with the situation always changing due to Covid, we suggest you call us for our current guidelines. We hope that you and your families are all well!!

Monday through Wednesday 8:00 am until 4:00 pm

We are a very small team, so it is always a good idea to call before you come to the office. Bethany and Sarah are usually available by email.

We will be closed the week of Thanksgiving, Christmas, and New Year's.

IRS/FTB PROCESSING:

Unfortunately, a very small number of our clients have experienced a very long delay in the processing of their tax returns with the IRS. Once we file your tax return and receive confirmation that the IRS/FTB has accepted the tax returns, our process has been completed and it is now with the government agencies. If you have questions, you can call the IRS at 800-829-1040 or the FTB at 800-852-5711, open an account online, or if you are checking on your refund use the "where is my refund" tool on the IRS and FTB websites.

The fee that we receive from you to prepare your tax returns is only for that work. This fee does not include any future services that you may need. We do our best to extend some limited courtesy time to our clients. We will answer a quick question and/or discuss an issue that does not go beyond a one time, 5-to-10-minute call or email. Upon request we provide a pdf copy of your tax returns and letters for lenders (this is limited to once a year) by email. Please understand there is a difference between these courtesies we extend and more time-consuming, in-depth consultation and forecasting that we do charge for.



TAX TID BITS

Is my Mortgage Interest Deductible?

What is deductible for your home? Mortgage Interest paid on a "Qualifying Loan" and property taxes actually paid during the calendar year. Nothing else is deductible. Repairs and maintenance are of no relevance except in the case of business use. You should have a record of and support for permanent improvements made to your home in order to keep track of the tax-free investment.

Interest on home loans, equity loans and lines of credit are deductible only if the borrowed funds are used to buy, build, or substantially improve the taxpayer's home that secures the loan. The loan must be secured by the taxpayer's main home or second home (qualified residence).

There are dollar limits. These limits apply to the combined mortgages on your main home and second home. You can deduct home mortgage interest on the first \$750,000 (\$375,000 if married filing separately) of indebtedness. However, higher limitations (\$1 million (\$500,000 if married filing separately) apply if you are deducting mortgage interest from indebtedness incurred before December 16, 2017.

ADVANCED CHILD TAX CREDIT

The IRS is automatically sending out half of the anticipated child tax credit for the 2021 tax year. This WILL decrease your refund and could potentially put you in a balance due status when you file your 2021 tax returns next year. It is our advice that you unenroll to stop receiving this advanced credit. To do this you need to go to IRS.gov and use their tool "Child Tax Credit Portal". We cannot assist you with this process.

THINKING AHEAD TO TAX SEASON 2021!

- We do our best to plan the 11 weeks of tax season to accommodate all our clients. It is important to follow our "need all information by date" we list in the organizer each year. If the tax deadline had not been extended the last 2 years due to COVID, many of our client's tax returns would not have been completed by the normal April 15 deadline.
- To ensure that we have ample time and resources to provide the best service possible to all our clients, we will not be accepting new client referrals (other than family members of our current clients) for the 2021 tax season after November of 2021.
- We encourage our clients to go paperless! For those of you that are paperless don't forget to save your documents and tax returns on your computer system and/or to cloud storage.
- To access your storage portal with us at Intuit, go to <https://link.intuit.com>. If you have a problem with your account, please contact Intuit.

Below is a Tax Tip on Hobby versus Business Income directly from the IRS

Issue Number: Tax Tip 2020-108

Earning Side Income: Is It a Hobby or a Business?

Whether it's something they've been doing for years or something they just started to make extra money, taxpayers must report income earned from hobbies on their tax return.

What is the difference between a hobby and a business? A business operates to make a profit. People engage in a hobby for sport or recreation, not to make a profit.

Here are nine things' taxpayers must consider when determining if an activity is a hobby or a business:

- Whether the activity is carried out in a businesslike manner and the taxpayer maintains complete and accurate books and records.
- Whether the time and effort the taxpayer puts into the activity show they intend to make it profitable.
- Whether they depend on income from the activity for their livelihood.
- Whether any losses are due to circumstances beyond the taxpayer's control or are normal for the startup phase of their type of business.
- Whether they change methods of operation to improve profitability.
- Whether the taxpayer and their advisors have the knowledge needed to carry out the activity as a successful business.
- Whether the taxpayer was successful in making a profit in similar activities in the past.
- Whether the activity makes a profit in some years and how much profit it makes.
- Whether the taxpayers can expect to make a future profit from the appreciation of the assets used in the activity.

We hope that 2021 has been a better year for you and your families!

Thank you for allowing us to be of service to you!