

## Monthly Newsletter - August 2020

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### Coleman Team Highlights

Debby Coleman celebrated her 25<sup>th</sup> anniversary with Coleman & Associates earlier this month.

Coleman & Associates recently welcomed two new team members – Hannah Crowe and Anna Mattson



Hannah graduated from the University of Colorado at Boulder with a degree in English Literature. Before joining Coleman & Associates, Hannah worked in hospitality as a restaurant manager and event planner.

Hannah is originally from the Chicago suburbs but lived in Colorado for twelve years. She's an avid hiker, runner, and reader. Additionally, she is very passionate about wine and holds her Court of Sommeliers Level

1 and Wine & Spirits Education Trust Level 3.



Anna graduated from Northern Illinois University with a Bachelor of Science in Hospitality Administration. Exceeding client expectations is a passion that Anna developed through her previous administrative positions at several Chicago-area hotels.

Anna lives in the western suburbs. She is an animal lover who enjoys baking, live music, trying her hand at gardening, and traveling. Her most recent trip to Iceland has inspired her to see more of what the

world has to offer!

### IDES Benefit Statement Changes

The volume of unemployment claims resulting from the COVID-19 pandemic has made employer notification of benefit charges through the mail impossible for the Illinois Department of Employment Security (IDES). As a result, all further 2020 Statements of Benefit Charges (BEN-118) will be delivered electronically through [mytax.illinois.gov](https://mytax.illinois.gov). You will no longer receive any statements by mail.

Recent legislation has become law which waives all benefit charges directly or indirectly related to COVID-19 for taxable employers for weeks of benefits paid from March 15, 2020 through January 2, 2021. The Benefit Charge Statements will display all weeks of unemployment benefits paid for each employer's workers/former workers. You will only have to mark those charges that are **not** attributable to COVID-19 (fraud, other reasons for separation, etc) in order to take advantage of the waiver of COVID-19 related benefit charges.

Further instructions will accompany the electronic version of the BEN-118 when it is posted to your unemployment insurance account in MyTax Illinois.

If you have not done so already, sign up for an unemployment insurance account in MyTax to receive the Statement of Benefit Charges. To register, visit [mytax.illinois.gov](https://mytax.illinois.gov) and click on the "Registration" tab.

### **Waiver of Required Minimum Distributions for 2020**

For 2020, there is a waiver of required minimum distributions for 2020 from IRAs, 401(k)s and certain other plans. Some frequently asked questions are included here. Please note that action is required by August 31<sup>st</sup> for returning funds to your account.

- **Does the waiver apply to inherited IRAs?**

Yes. The RMD suspension applies to IRAs; defined-contribution plans such as 401(k)s, 403(b)s and 457(b) plans from government employers; and the Federal Thrift Savings Plan. Owners of inherited IRAs and plans also qualify for the waiver.

- **I took an RMD from my IRA earlier this year. Can I put the money back?**

Yes. And it will be treated as a tax-free rollover, provided you return the funds by August 31. Normally, you have 60 days to do a tax-free rollover, but the IRS extended the time to August 31.

- **Each year I receive my RMD from my traditional IRA in monthly installments. Does that change the answer above?**

No. Generally, under the tax law, you cannot make more than one rollover from your IRA within a one-year period. For individuals with multiple IRAs, this rule applies on an aggregate basis to all IRAs, and not on an IRA-by-IRA basis. Fortunately, the Service has provided relief and temporarily waives the one-rollover-every-12-months trap. You can recontribute your RMDs back to your IRA, provided you do so by August 31.

- **How do I treat taxes withheld from my RMDs if I return the funds?**

We believe you can recover them when you file your 2020 return next year. You'll have to return your gross RMD to avoid any of the distribution being taxed.

- **I got an RMD from my IRA in February in the form of stock. I later sold the shares. Can I recontribute the proceeds and treat it as a rollover?**

It appears not because the transaction violates the little-known rule that when doing an IRA rollover, you must roll over the same property that you originally received from the account. If you took an IRA RMD of 900 shares of stock, those 900 shares

must be put back, regardless of whether they increased or dropped in value since the distribution.

## **New Tax Rules for 2020**

Here are several new tax laws passed this year to consider as you start planning your 2020 tax obligation.

- **Make up to \$300 of charitable contributions.** For the 2020 tax year only, an above-the-line deduction of \$300 is available to all Americans who want to make a charitable contribution. You can donate to more than one charity, but the total amount of contributions must be \$300 or less to be able to take an above-the-line deduction. While you will still need to itemize your deductions if you want a tax break for donations greater than \$300, this above-the-line deduction for \$300 or less helps alleviate the elimination of the charitable deduction for most taxpayers. (NOTE: \$300 is the maximum above-the-line deduction per tax return, regardless of filing status.)  
***What you need to do.** Donate \$300 to your favorite charitable organization(s) by December 31, 2020. You must receive a written acknowledgment from the charitable organization(s) to which you made the \$300 contribution before filing your 2020 tax return.*
- **Donate up to 100% of your income.** The normal contribution limit of 60% of your income is suspended for 2020, allowing you to contribute as much of your income as you want to various charities.  
***What you need to do.** While only a tax break for a few taxpayers, this initiative is meant to help struggling charities during the pandemic. If you are considering additional giving, you must make your charitable contributions by December 31, 2020. Remember to obtain written acknowledgment from each charity you made a donation to before filing your 2020 tax return.*
- **Use retirement savings to pay for birth or adoption expenses.** Adding a child to your family is very expensive. To help with these costs, you can now cash out up to \$5,000 per parent from your retirement accounts to pay for birth and/or adoption expenses. While the withdrawal won't be hit with the 10% early withdrawal penalty, you'll still have to pay income taxes.  
***What you need to do.** Consult your financial advisor or benefits coordinator to find out how to withdraw the funds from your retirement accounts. Since this withdrawal will deplete your retirement savings, first consider whether you have other sources of cash to cover expenses.*
- **No age limit for contributing to IRAs.** You can now contribute to an IRA regardless of your age as long as you have earned income. The old rule prevented you from contributing to an IRA past age 70½. The IRA contribution limit for 2020 is \$6,000 if you're under age 50 and \$7,000 if you're over age 50.  
***What you need to do.** Consider getting a part-time job or doing some consulting work if you project that you won't have earned income by the end of 2020. You can then use this earned income to fund your traditional or Roth IRA*

## **Should You Incorporate Your Business?**

You may have started your business as a simple sole proprietorship that files its taxes as a Schedule C on your Form 1040. As your business grows, you may want to change the structure. Here are several scenarios where it may make sense to do just that.

- **Establishing limited liability.** The primary reason businesses form corporations and limited liability companies is to create a separate legal entity that provides legal protection. If your business receives a legal summons for a claim, for example, having limited liability may protect your personal assets like your home and car.
- **Hiring your first employee.** Businesses are generally liable for their employees' actions taken on behalf of the company. If an employee performs an act that causes an outside party to sue your business, the outside party can come after your personal assets to satisfy the lawsuit if you don't have limited liability. You should, therefore, incorporate your business if you anticipate hiring your first employee in the near future.
- **Establishing credibility.** Having LLC or Inc. after your business's name conveys maturity in your business to customers and vendors.
- **Accessing credit and/or capital.** Incorporating can also make it easier for your business to obtain financing through banks or investors. Banks want to see that your business is legitimate and not simply a hobby. Bringing in investors also requires a business form that allows you to do this. Individuals often co-mingle personal funds with business activity, making it hard to consider lending money.

There are several different business entities to consider, including corporations and limited liability companies. There are pros and cons to each entity that must be considered. Added to the complexity are constructing the correct legal filings and related tax obligations for sales tax, income taxes, unemployment and workers' compensation. You will need both legal, accounting and tax guidance if you are considering incorporation.

As always, contact the office with questions by emailing us at [info@colemancpas.com](mailto:info@colemancpas.com) or calling 773-444-3100. We are here to help.

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