Coleman&Associates
Fully Integrated Tax, Accounting & Financial Services

Monthly Newsletter - December 2021

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Important Dates & Deadlines to Note

January 18, 2022

- 4th Quarter individual estimated payments due

Required Minimum Distributions are Back for 2021

Annual required minimum distributions (RMDs) from retirement accounts are back for 2021, after being halted last year. Individuals 72 and older must take annual RMDs by December 31, 2021, from traditional IRAs or pay a 50% penalty.

For 2021, you start with your account balances as of Dec. 31, 2020, and use IRS Pub. 590-B to come up with the amount required to be withdrawn.

IRA's –

- ✓ If you have multiple IRA's, then your RMD can be withdrawn from any IRA you pick.

401(k)s and other workplace defined-contribution plans –

- ✓ If you have multiple accounts, then your RMD must be taken from each account.
- ✓ If you continue to work past 72, then you can delay RMDs from their current employer's 401(k) until retirement as long as you don't own more than 5% of the firm that employs them.

If 2021 is your first RMD year, you have until April 1, 2022, to take the RMD. ·The distribution will still be based on your total balance as of Dec. 31, 2020. If you opt to defer your first RMD to 2022, you will be taxed in 2022 on two payouts: The one for 2021 that you deferred and the RMD for 2022. This doubling up would hike your 2022 income and could push you into a higher income tax bracket.

New life expectancy tables for calculating RMDs apply for 2022 and beyond. The revised tables in IRS Pub. 590-B allow distributions to be spread out over more years because they account for more-current individual mortality rates. Basing RMDs on longer life expectancies will allow plan participants and IRA owners to take out smaller annual payouts, letting them keep money in their accounts longer.

Charitable donations made directly from a traditional IRA can save taxes. People 70½ and older can transfer up to $100,000 yearly from IRAs directly to charity. If married, you and your spouse can give up to $100,000 each from your separate IRAs. Qualified charitable distributions (QCD) can count as RMDs, but they are not taxable and they are not added to your adjusted gross income. Therefore, you cannot deduct the donation on Schedule A. The IRA-to-charity strategy can be a good way to get tax savings from charitable gifts for taxpayers not taking charitable write-offs because of higher standard deductions.

The money from the IRA must go directly to a charitable organization. Transfers to a donor-advised fund, charitable gift annuity, charitable remainder trust or any other life-income or split-interest gift arrangement are not treated as QCDs.

Coleman Portal Requires Multi-Factor Authentication for Enhanced Security

Effective November 2021, there were changes to your Coleman Portal.

Our firm partners with Thomson Reuters (TR) to provide the platform for our Coleman Portal (called NetClient CS), and TR is updating the sign-in process to make it more secure by requiring multi-factor authentication (MFA) and reCAPTCHA. MFA and reCAPTCHA add a layer of protection to the sign-in process, increasing your protection against cyber security attacks.

What you need to know:

- You will continue using your current username and password to access your Coleman Portal.
- If you do not already have MFA enabled, you will be prompted to add it.
- Here is a link to a 3-minute video on how to setup your MFA: https://cs.thomsonreuters.com/ua/login_security/cs_us_en/videos_htm/video-mfa-netclient-portal.htm

If you have questions, please call the office to talk to Hannah Crowe or email Hannah@colemancpas.com.

Sales Tax Rate Change Summary, Effective January 1, 2022

Effective **January 1, 2022**, certain taxing jurisdictions have imposed a local sales tax or changed their local sales tax rate on general merchandise sales. The following taxes are affected:

- business district sales tax
- home rule municipal sales tax
- non-home rule municipal sales tax

You must adjust your cash register and any computer program so that beginning on January 1, 2022, you will collect and pay the correct sales tax. You need to contact your software vendor if you use software to create your forms.

To verify your new combined sales tax rate (*i.e.*, state and local sales taxes), go to the MyTax Illinois Tax Rate Finder at tax.illinois.gov and select rates for January 2022.

Home Sales: How to Determine Your "Basis"

The housing market in many parts of the country is still strong. If you're buying or selling a home, you should know how to determine your "basis."

How it works

You can claim an itemized deduction on your tax return for real estate taxes and home mortgage interest. Most other home ownership costs can't be deducted currently. However, these costs may increase your home's "basis" (your cost for tax purposes). And a higher basis can save taxes when you sell.

The law allows an exclusion from income for all or part of the gain realized on the sale of your home. The general exclusion limit is $250,000 ($500,000 for married taxpayers). You may feel the exclusion amount makes keeping track of the basis relatively unimportant. Many homes today sell for less than $500,000. However, that reasoning doesn't take into account what may happen in the future. If history is any indication, a home that's owned for 20 or 30 years appreciates greatly. Thus, you want your basis to be as high as possible in order to avoid or reduce the tax that may result when you eventually sell.

Good recordkeeping

To prove the amount of your basis, keep accurate records of your purchase price, closing costs, and other expenses that increase your basis. Save receipts and other records for improvements and additions you make to the home. When you eventually sell, your basis will establish the amount of your gain. Keep the supporting documentation for at least three years after you file your return for the sale year.

Start with the purchase price

The main element in your home's basis is the purchase price. It also includes certain settlement or closing costs. If you had your house built on land you own, your basis is the cost of the land plus certain costs to complete the house.

You add to the cost of your home expenses that you paid in connection with the purchase, including attorney's fees, abstract fees, owner's title insurance, recording fees and transfer taxes. The basis of your home is affected by expenses after a casualty to restore damaged property and depreciation if you used your home for business or rental purposes.

Over time, you may make additions and improvements to your home. Add the cost of these improvements to your basis. Improvements that add to your home's basis include:

- A room addition
- Finishing the basement
- A fence
- Storm windows or doors
- A new heating or central air conditioning system
- Flooring
- A new roof
- Driveway paving

Home expenses that don't add much to the value or the property's life are considered repairs, not improvements. Therefore, you can't add them to the property's basis. Repairs include painting, fixing gutters, repairing leaks, and replacing broken windows. However, an entire job is considered an improvement if items that would otherwise be considered repairs are done as part of extensive remodeling.

The cost of appliances purchased for your home generally don't add to your basis unless they are considered attached to the house. Thus, the cost of a built-in oven or range would increase basis, but an appliance that can be easily removed wouldn't.

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