

Monthly Newsletter - April 2021

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Important Dates & Deadlines to Note

April 15th

- ❖ First quarter 2021 estimated payments due

May 17th

- ❖ Individual income tax returns for 2020 are due

Estimated Tax Payment Still Due April 15th

As of today, the due date for making the first installment is NOT extended to May 17th, so these must be remitted by April 15th even though the balances on 2020 are not due until May 15th (not confusing at all).

If you usually make quarterly estimated tax payments, please send in your tax documents ASAP!

Individual Tax Return Deadline is May 17th

In order to give taxpayers additional time to complete their income tax returns, IRS and Illinois have both moved the filing deadline to May 17th. Many other states have also moved the deadline, if you file in other state.

Congress' recent move to retroactively make a portion of 2020 unemployment income tax-free is creating havoc during this year's tax filing season. The new legislation which contains this tax break didn't become law until March of 2021, a full three months after the end of the tax year and after millions of Americans had already filed their 2020 tax returns.

- **If you've already filed your 2020 tax return:** Wait for further instructions. The IRS is trying to figure out a way to automatically apply this tax break for taxpayers who have already filed their 2020 tax return. This will avoid the need to file an amended tax return. There is no need to call at this time as the IRS has not provided further guidance.
- **If you HAVE NOT filed your 2020 tax return:** The IRS has issued guidance on how to report this tax break on your 2020 tax return if you have not already filed. You will be notified once your tax return has been prepared.
- **Tax deadline moved to May 17.** Because of all this havoc, the April 15 deadline for individual tax returns is now May 17. This extension applies only to Form 1040s. First quarter estimated tax payments for the 2021 tax year are still due by April 15.

New Tax Breaks for 2021

The recently-passed American Rescue Plan Act contains several tax breaks for you and your family. Here are the major provisions of the bill that could mean more money in your pocket during the 2021 tax year.

Child tax credit (CTC)

- ✓ The CTC for 2021 increases from \$2,000 to \$3,000 for kids ages 6 to 17 and \$3,600 for kids ages 5 and under.
- ✓ To receive the full tax credit your adjusted gross income must be under \$75,000 (Single); \$150,000 (Joint); or \$112,500 (Head of Household).
- ✓ If your income is above the aforementioned thresholds, you can still receive \$2,000 per child if your income is less than \$200,000 (Single, Head of Household); or \$400,000 (Joint).

Child and dependent care credit (DCC)

If you and your spouse work and have children in daycare, or have an adult that you care for, you may be eligible for a larger tax credit in 2021.

- ✓ You can now spend up to \$8,000 in dependent care expenses for one qualifying dependent and get a 50% tax credit. This results in a maximum credit of \$4,000 (up from \$1,050).
- ✓ If you have more than one qualifying dependent, you can spend up to \$16,000 in dependent care expenses and get a 50% credit. This results in a maximum credit of \$8,000 (up from \$2,100).
- ✓ To receive the full tax credit, your adjusted gross income must not exceed \$125,000.
- ✓ Dependents can include people of all ages, not just kids, as long as they meet the dependent qualifications.

Stimulus checks

- ✓ A third round of stimulus payments in the amount of \$1,400 is being sent to qualified taxpayers.
- ✓ The payment phases out for income over \$75,000 for single taxpayers, \$112,500 for head of household taxpayers and \$150,000 for married couples.

PPP Loans Deadline Extended and Other Business Relief

PPP loan application deadline extended. The deadline to apply for PPP loans is now May 31, 2021.

Sick leave extended. If your business provides sick leave for COVID-related reasons, you might get reimbursed for the sick pay through a tax credit.

- ❖ Businesses which voluntarily provide sick leave through September 30, 2021 qualify for the credit. There are limits for each employee. However, for employees who took 10 days of sick leave in 2020 using this same provision, they can take another 10 days beginning April 1, 2021.
- ❖ Refundable tax credits are available through September 30, 2021.
- ❖ Covered reasons to get the tax credit now include sick leave taken to get COVID testing and vaccination, and to recover from the vaccination.
- ❖ These benefits are also extended to self-employed workers.

Family Medical Leave Act Provisions extended.

- ❖ Additional coverage is now available through September 30, 2021.
- ❖ Qualified wages for this provision move to \$12,000 (up from \$10,000) however the credit was not increased.
- ❖ The Family Medical Leave Act also applies to the self-employed.

Big increase in Employee Retention Credit.

- ❖ Businesses can get up to a \$28,000 tax credit per employee in 2021, up from a \$5,000 maximum credit in 2020. This credit can be claimed through Dec. 31, 2021.
- ❖ Must have at least a 50% decrease in gross receipts.
- ❖ Excludes wages paid to: sole proprietors, independent contractors, business owners and his\her family members

There are many more provisions in the close to \$2 trillion dollar spending package, including money given to states. As everyone digests this new 500-plus page piece of legislation, more clarifications will be forthcoming from the IRS and other sources.

Don't Overlook Renters' Insurance

Do you rent an apartment or condo? If so, do you have renters' insurance to protect your belongings and to cover you against liability claims?

A surprising number of renters don't bother with insurance. Some assume they're covered by their landlord's policy. Wrong! Usually that covers only damage to the building and liability claims against the landlord. Others say their belongings aren't worth enough to justify the cost. But add up how much it would cost you to replace everything you might lose in a fire and you'll be surprised. In most cases, the cost of insurance is a small price to pay for the protection you'll receive.

Typical protection

Renters insurance, sometimes called a tenant policy, typically protects against three things:

1. Loss or damage to your personal belongings from fire, theft, etc.
2. Liability claims from someone injured in your apartment
3. The cost of temporary living expenses if your apartment is made uninhabitable by some catastrophe

When you buy renters insurance, you'll have to decide the amount and type of coverage. Your agent can help you estimate the value of your belongings. You can either choose "actual cash value" coverage or "replacement value coverage."

The first pays you the estimated value of items at the time of loss, based on their age and condition. The second pays the cost of replacing items with equivalent new items, up to the maximum value of coverage. The second method will pay you more, but obviously the premium will be higher. Try to identify anything of special value, such as expensive jewelry or electronic equipment. You may need a policy rider to cover the full amount of these items.

A few tips

1. **Bundle for discounts.** You may receive a discount if you buy your renters insurance and car insurance from the same company.
2. **Save with roommates.** If you have a long-term roommate, ask if you can take out a joint policy instead of two separate ones.
3. **Know when and where kids are covered.** If you have children living away at college, check whether they're covered under your homeowners policy. Once they leave college, though, they'll need their own insurance.
4. **Take inventory.** Create a thorough inventory of your belongings, recording the model and serial number of any equipment and take plenty of photos. This could be invaluable to support your claim if you ever have a loss.

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

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