Coleman&Associates
Fully Integrated Tax, Accounting & Financial Services

Monthly Newsletter - August 2021

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Important Dates & Deadlines to Note

September 15th

- ❖ Filing deadline for 2020 calendar-year S corporation and partnership tax returns on extension
- ❖ 3rd quarter installment of 2021 estimated income tax is due for individuals, calendar-year corporations and calendar-year trusts & estates

Letter From the IRS – What's Next?

If you receive a notice from the IRS, do not automatically assume it is correct and submit payment to make it go away. Because of all the recent tax law changes and so little time to implement the changes, the IRS can be wrong more often than you think. These IRS letters, called correspondent audits, need to be taken seriously, but not without undergoing a solid review. Here's what you need to do if you receive one.

- **Stay calm.** Don't overreact to getting a letter from the IRS. This is easier said than done, but remember that the IRS sends out millions of these correspondence audits each year. The vast majority of them correct simple oversights or common filing errors.
- **Open the envelope!** You would be surprised how often taxpayers are so stressed by receiving a letter from the IRS that they cannot bear to open the envelope. If you fall into this category, try to remember that the first step in making the problem go away is to open the correspondence.
- **Send us the notice**! We are here to help. Send us the notice before you call or email us (portal preferred). We have the expertise to quickly identify the issue and help you respond to the notice, but we need the notice in front of us to get started.
- **Certified mail is your friend.** Any responses to the IRS should be sent via certified mail or other means that clearly show you replied to their inquiry before the IRS's deadline. This will provide proof of your timely correspondence. Lost mail can lead to delays, penalties, and additional interest tacked on to your tax bill.
- **Don't assume it will go away.** Until receiving definitive confirmation that the problem has been resolved, you need to assume the IRS still thinks you owe them money. If no correspondence confirming the correction is received, you should follow-up with another written confirmation request to the IRS.

Cook County Tax Bills Delayed – What You Need to Know

Are you anxiously watching your mail for the second installment of your Cook County tax bill? Normally, it's mailed in late June and is due August 1st. This year, it will be delayed. Here's why:

- COVID, the government shutdown and the work-from-home phenomenon slowed down the assessment process.
- The Cook County Assessor decided to grant large assessment reductions to nearly every homeowner in Cook County. In effect, he re-assessed the entire county at one time. This created a lot of work and slowed down the assessment process for commercial properties.
- Finally, the assessing officials processed a large number of appeals from taxpayers who sought relief because COVID affected their property values.

The Cook County Treasurer's anticipates mailing the tax bills in late August. The bills will be posted to cookcountytreasurer.com in mid-August. The anticipated due date is October 1, 2021. But as of 7/28/2021, the Treasurer's website still says "TBD."

Illinois Department of Revenue Issues Automatic Tax Refunds to Thousands of Unemployment Benefit Recipients

Governor Pritzker announced that the Illinois Department of Revenue (IDOR) has issued automatic refunds to close to 350,000 eligible taxpayers who electronically filed their 2020 Illinois Individual Income Tax Returns prior to a newly enacted federal unemployment tax exemption.

The *American Rescue Plan Act* (ARPA) of 2021 included a retroactive provision making the first $10,200 per taxpayer (up to $20,400 married, filing jointly) of unemployment benefits nontaxable for returns with a modified Adjusted Gross Income (AGI) of less than $150,000. The provision was enacted after tax filing season opened on February 12, 2021.

Illinois was the second state to recalculate electronically filed 2020 individual income tax returns and notify taxpayers who filed before March 15, 2021, of the systemic adjustment of their AGI.

"By auto adjusting the refunds, we estimate having saved close to $1.5 million given the amount of time and the workforce that would have been required to process the thousands of amended returns," said IDOR Director David Harris. "This does not include the time and cost that taxpayers would have incurred while filing their own amended returns or hiring a professional."

By the end of July, IDOR plans to notify an estimated 3,300 taxpayers who filed paper tax returns prior to the implementation of the federal unemployment exclusion of the need to file amended returns to qualify for any possible refunds.

For taxpayers who filed electronically on or after March 15 and included the unemployment exclusion on their federal and state individual income tax returns, no additional filing changes were required. Taxpayers who filed electronically on or after March 15 but did not include the unemployment exclusion when calculating their AGI were required to file an amended return to adjust their AGI.

Make the Most of Your Vehicle Expense Deduction

Tracking your miles whenever you drive somewhere for your business can get pretty tedious, but remember that properly tracking your vehicle expenses and miles driven can lead to a significant reduction in your taxes.

Here are some tips to make the most of your vehicle expense deduction.

- **Keep track of both mileage and actual expenses.** The IRS generally lets you use one of two different methods to track vehicle expenses – the standard mileage rate method or the actual expense method. One year the mileage method may result in a higher deduction, while the actual expense method may be higher in a subsequent year. But you won't know which method results in a higher deduction unless you track both your mileage and actual expenses.
- **Consider using standard mileage the first year a vehicle is in service.** If you use standard mileage the first year your car is placed in service, you can then choose which expense tracking method to use in subsequent years. If you initially use the actual expense method the first year your car is placed in service, you're locked in to using actual expenses for the duration of using that car in your business. For a car you lease, you must use the standard mileage rate method for the entire lease period (including renewals) if you choose the standard mileage rate the first year.
- **Don't forget about depreciation!** Depreciation can significantly increase your deduction if you use the actual expense method. For heavy SUVs, trucks, and vans with a manufacturer's gross vehicle weight rating above 6,000 pounds, 100% bonus depreciation is available through the end of the 2022 tax year if the vehicle is used more than 50% for business purposes. Regular depreciation is available for vehicles under 6,000 pounds with annual limits applied.
- **Don't slack on recordkeeping.** The IRS mandates that you track your vehicle expenses as they happen (this is called contemporaneous recordkeeping). You're not allowed to wait until right before filing your tax return to compile all the necessary information needed to claim a vehicle deduction. Whether it's a physical notebook you stick in your glove compartment or a mobile phone app, pick a method to track your mileage and actual expenses that's most convenient for you.

Please call if you have any questions about maximizing your business's vehicle expense deduction.

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