

Westfield CPAs LLC
241 North Ave West
Westfield, NJ 07090
908-233-7900

April 1, 2020

Dear Clients,

Don't we all wish this were an April's Fool joke? Maybe we will wake up after a bad Twilight Zone marathon and realize it was all a dream.

Our office is closed, but we are operational. While most of our staff is working from home, we have a very collaborative process with two professionals on each return, and much needed support staff, so working remotely is just not that efficient for us. Most of our staff is impacted by school closings and the general stress of current events, but so far everyone is feeling well. We appreciate your patience.

TWEETS ARE COOL, BUT DETAILS RULE

We are working frantically to learn the new laws as they come out. This normally takes months. After a law is signed, the Treasury writes rules, then services try to interpret them, then we learn them. In today's environment, we appreciate that people are anxious, but patience is needed.

WE ARE PRIORITIZING OUR AVAILABLE TIME

Most people lost an upsetting percent of their retirement account, which should recover eventually. Some people lost jobs and we are helping them select the best choices in this new maze of Federal and state benefits and laws. But our small business clients really have the most to lose. If a small business goes out of business, frequently the owner loses their main asset, with no chance of recovery, has remaining debts from the business, and could struggle getting a regular job. Running a small business, like ours, has more hurdles than most would imagine. While it's obvious that small businesses need your support, it's also true that we need small businesses. Small businesses support your community, provide jobs, add diversity to our lives, and work generally harder to please consumers. Small businesses also provide great opportunity. Giants like Amazon, Walmart and Microsoft all started as small businesses. Please support your local small business if you want them to exist.

If you have an urgent need and need prioritizing please let us know.

FOR MOST PEOPLE, THERE IS NO PRESSURE TO FILE OR PAY YOUR TAXES

The Federal deadline of April 15 for filing and paying personal tax returns has been pushed back to July 15 for 2019. Nothing is needed to get this extra time. All April 15 payments for balances due on 2019 returns, and first quarter 2020 estimates are also pushed back to July 15. Oddly, the second quarter estimate is still due June 15 – before the first quarter.

SOME DATES STILL MATTER

See the important message later “For Those Who Already filed” if you already filed your return, owe tax, and asked the IRS or a state to automatically withdraw it from your bank account.

Most states have mirrored Federal policy. Just as we were about to press send, New Jersey just announced that they have also agreed to follow Federal policy. It is official – NJ returns and payments originally due 4/15 are now due 7/15. Whew!

Included in the additional time to file is your ability to contribute to a retirement accounts, IRAs or HSAs.

If you are still procrastinating in sending us your tax information, please consider getting it to us sooner rather than later. We try to prepare returns in the order we receive the data. You can still mail or drop off information. We have a box in front of our door for deliveries that we take in frequently. You can also send files securely from a link on our site www.fintax.com. Simply click “Send a Secure E-mail” on the navigation bar at the top of the page.

RECOVERY REBATE

Similar to 2008, anyone that filed a 2018 or 2019 return will get a “Recovery Rebate” provided their income was below \$75,000 single or \$150,000 married. Above those limits and it begins to get phased out at 5% on excess income. The maximum rebate is \$1,200 for a single person, \$2,400 for a joint return, plus \$500 per qualifying child. It’s important to understand that the rebate will actually be calculated on your 2020 return, filed in 2021. If you should have received a larger rebate you will get it then. If you should have received a lower rebate you get to keep your original amount anyway.

The rebate will be paid the same way you would have received a normal refund. If you had direct deposit, you will receive it by direct deposit. If you did not provide banking information you will receive a check. Once the program is in place details will be on the IRS home page. This will include a way to track your rebate.

ENHANCED UNEMPLOYMENT

The Federal government is temporarily enhancing unemployment so that it starts a week sooner, the amount you can collect is closer to 100% of your regular pay with an additional \$600 per week on top of normal state benefits, and is extending benefits by thirteen weeks.

AVAILABILITY OF RETIREMENT FUNDS

This provision waives the ten percent penalty on early distributions of up to \$100,000 from retirement plans for those infected or economically harmed by the coronavirus. There is the ability to roll the funds back in for three years instead of the normal 60 days. If the funds are kept, regular taxes are still due but the income and related tax can be spread out over three years.

401k loans are increased to \$100,000 and participants with existing loans can delay any repayments due in 2020 for one year.

WAIVER OF REQUIRED MINIMUM DISTRIBUTIONS (RMD) FROM RETIREMENT ACCOUNTS

This provision would waive RMDs for 2020. While not required, planning should be done to utilize the lower tax brackets to extinguish the tax debt hidden in IRAs. If the funds are not needed, this may be a great Roth conversion opportunity. If you use your IRA to pay your income tax, please discuss this with us in the fall to determine what you may owe. While the RMDs are waived, if you are over 70½, you can still use your IRA to make charitable contributions and not pay Federal tax on the distribution.

CHARITABLE DEDUCTION FOR INDIVIDUALS NOT ITEMIZING

This provision would provide a deduction of up to \$300 for donations to charity, even if they do not itemize their deductions. Taxpayers over 70 can continue to redirect IRA distributions and lower their income as well. Donating appreciated stock saves more tax than donating cash. We are still fans of donor advised funds in the right circumstances for those with more significant donor intent.

FOR THOSE WHO ALREADY FILED 2019

If you already filed your return and requested the balance due be withdrawn directly by the IRS or state, it will be withdrawn on April 15. If you want to change it to July 15, you can, but there are two steps. First, cancel the existing payment. Second, make a new arrangement to pay the tax by July 15.

To cancel your existing payment:

- Call the IRS e-file Payment Services automated line at 1-888-353-4537. You need to wait 7-10 days after your return has been filed. You will need your Social Security number, payment amount, and bank account information.

Next, arrange to pay your tax by July 15, 2020:

- Ask us to send you a voucher and you can mail a check.
- As of now, the IRS site does not allow for payments set that far in the future.
- Eventually we can use www.irs.gov/payments/direct-pay

FUN FUN FUN

We would like to share some home activities that we appreciate while you have free time.

- Set up an account at www.ssa.gov and review your Social Security benefits.
- Check out www.missingmoney.com and see if you, your family or friends have any lost assets. This can be an insurance refund, paycheck, or an inheritance. Enter as few letters as possible for the widest search. Some funds are lost because the name or address was misspelled.

We look forward to when the UPS guy won't be the highlight of the day and hope "social distancing" becomes a distant memory. Regardless of social changes, we commit to providing a personal human service. It's a stressful time, but we will get through it. We are predicting many new taxpayers being born in nine months!

Sincerely,

Bob Saunders