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It is official! The debates are over & the votes are in!
It has been officially decided that our firm is changing our name to
Westfield CPAs LLC.

Dear Friends and Clients,

This new name much more accurately reflects who we truly are. It has been a long time coming. Bob started the firm more than 25 years ago and fondly remembers his college days going door to door preparing tax returns. Over the years, we have evolved into a talented team of 12 people who deserve to share the spotlight.

Simultaneously with this change, our firm is upgrading our technology to enable better communication with clients and make it easier for employees to work remotely.

The changes will take place over many months, but most importantly, we are the same caring and talented group of professionals. For clients who are tech-averse, there is nothing to worry about. We will continue to work with you through traditional communication channels as we always have.

For clients who are eager for tech advances, you will be able to access your files via a secure portal called SmartVault. This platform also will be the best way to send us your tax information, as it will be deposited right into your personal folder. If you are interested in trying SmartVault, please e-mail any of us or Info@FinTax.com for a formal invitation to set it up. There will be a link on our website so you can easily access it once you set it up.

In past years, a handful of clients used E-sign (a DocuSign feature) to electronically sign tax returns, rather than having to sign a paper copy. Some states, most notably New York, did not allow electronic signatures so many of our clients were unable to use this feature. Due to COVID-19, most states are now on board and we anticipate being able to accommodate most clients with E-sign. This means that we will e-mail a copy of your tax return and you can sign it electronically. There will be no need for paper copies and snail mail!

The transition to our new name and new technology will happen gradually. Over the next year, you will see a new look. Our emails will change from FinTax.com to WestfieldCPAs.com.

Our aim is to provide even better service.

Last-Minute 2020 Tax Topics

We anticipate another difficult tax season due to the pandemic. To ensure that we take the best possible care of our existing clients, we will not take on new clients in 2021.

Tips for the upcoming tax season:

When sending electronic files, we would appreciate them in combined PDF format and not photos. We frequently need to reformat photos and still can't read them. Most phones have a PDF app built-in or Adobe has a free app that's easy to use.

If you would like to drop off tax data, please be sure to wear a mask. If you prefer not to come in, you can pull up to the back door in the parking lot and call; we will send someone down to meet you. Our back door is located in the Westfield train station parking lot, along the train tracks, second building, with the blue awning.

For clients who pay estimated taxes, many of us expected a worse year than it actually was, and may not have paid enough. If this applies to you, please send your tax data as early as possible.

Please check for downloadable tax data from your banks, brokerage houses & unemployment. Not all documents will come via snail mail, but will have to be downloaded instead. We try to review your prior year's information as a comparison, but you will need to notify us of any new items like new brokerage accounts or unemployment.

Many taxpayers received an "advance" stimulus payment. We need to know the exact amount that you received. As we prepare your 2020 return, we will compute what you are actually entitled to. If you originally received less, or no rebate at all, you will get the difference. Good news for those who received too much – you get to keep it!

In the past, taxpayers who did not itemize their deductions did not benefit from charitable deductions. To encourage charitable giving, taxpayers will be allowed to deduct up to $300 per return in donations to qualified charities. We will add a question about this topic in our upcoming organizer to ensure that we account for your donations properly.

A few years ago, tax reform eliminated all miscellaneous itemized deductions including home office deductions. Now that so many employees are working from home, it would be reasonable to take home office deductions, but there is no line on the forms to even take them.

The hardest part of planning for 2020 is that we still do not know all the rules. For example, Congress intended PPP loans to be tax-free, but the legislation was written poorly and the IRS determined that the loans are actually taxable. As we write this newsletter, there is talk that Congress will fix the law to comply with its original intent.

State Taxation

Are you working remotely?   If your usual office is in one state and you work from home in another state, there may be some conflicting state tax laws to navigate.

New York and five other states use the *convenience of the employer rule* to source income. It state's that that, if an employee reports to an office, then the employee's income is sourced to the state where the office is regardless of where the employee is physically located. While some exceptions apply, the State of New York considers an employee working from home in NJ the same as one at a desk in NY.

The Supreme Court is presently reviewing the case of New Hampshire versus Massachusetts to determine which state has taxing jurisdiction. We hope that the Court's decision stops States from reaching beyond their borders.

Most government budgets have imploded and legislators are desperately proposing new taxes. The biggest difference between states and the federal government is that the federal government can print money. As such, the states have been much more creative than the federal government in developing new taxes.

New Jersey retroactively raised the tax rate on income in excess of $1 million from 8.97% to 10.75%. They also increased the cigarette tax to $4.35 per pack, raised taxes on firearms and ammunition, added a 2.5% tax on health insurance premiums, assessed the sale of Opioids, and raised the sales tax on limousine rides and boat purchases.

New York decided not to go along with much of the tax relief embedded in the CARES Act. Instead, NY limited a credit for having long-term care insurance and proposed creative ideas like a tax on deliveries, congestion taxes, taxing companies that buy back their own stock, taxing stock transfers, higher property taxes for nonresidents (who do not have a vote), and of course, NY's favorite "tax the rich at a much higher level" rhetoric.

Looking Forward To 2021

Ever since Ronald Reagan, presidents have generally lowered the tax rates, claimed to give tax cuts, but actually raised taxes on our clients. President-Elect Biden's administration is likely to produce a similar result. Here are some of his proposals:

Much of his plan is simply undoing parts of the Trump tax reform that hurt, but none that help. Biden has proposed raising the top rate from 37% to 39.6% but has not spoken about restoring the state tax deduction.

Historically, long term capital gains and qualified dividends have had favorable tax treatment, for justifiable reasons. Under Biden's plan, high earners will pay tax on these items at their normal rate, about double the tax they currently pay.

Current law includes a maximum $2,000 Child Tax Credit for children under 17 years old. Biden suggested raising the amount to $8,000 per child. He also proposed raising the Child Care limits. These limits have been the same for 20 years while the cost of care has tripled.

Another proposal would change how much high earners pay toward Social Security. Currently, you pay SS tax on wages up to $137,700 and then you stop. Biden suggested paying this tax again on all of your wages over $400,000. For a self-employed individual, paying both the employee and employer taxes, this would be a 12.4% tax increase with no additional SS benefit.

Estate tax is a tax paid on the value of a person's assets upon death. The current exemption is $10 million, adjusted for inflation, bringing it to $11.58 million today. Biden has proposed to lower this amount to $5 million.

Our biggest takeaway from Biden's potential tax plan is a new tax theory: Change deductions into limited credits. For example, a high earner puts $100 into a 401k and saves $37 in tax, while a lower earner putting away the same $100 may save only $15. Biden proposed replacing the deduction with a credit of 26%. The same would apply for itemized deductions. $100 of income would cost between nothing to $39 in tax, but the savings on a $100 deduction would be capped at 26%. He would also phase out deductions altogether based on your income.

Other Fun Facts!

Scams are clearly on the rise. Please reach out to us if you see, hear or smell anything from the IRS, any taxing authority, unemployment, or claims that you need to pay anything!

The check is in the mail… really! The IRS is normally slow to process anything. With Covid, they are completely exploiting this and we are experiencing extreme problems. They have unopened mail in trailers since spring, yet they issue collection notices to taxpayers for not paying.

As the new year approaches, it is a great time to review beneficiary designations on retirement accounts, update your will, increase your 401k deduction, and check out your state's unclaimed property to see if you or your family are missing money.

We are proud to work with many clients who joined us when we first started more than 30 years ago. And we are happy to have met so many new clients along the way. Here's to the next 30 years!

From our families to yours, we wish you a happy, healthy 2021!

Sincerely,

Bob Saunders & Staff