

ANGEL & COOK LLC
PUBLIC ACCOUNTANTS

Ryan M. Cook, CPA
ryan@angelcook.net

Gene R. Angel, EA
gene@angelcook.net

432 Elm Street
P.O. Box 250
Natoma, KS 67651

OFFICE: 785-885-4444
FAX: 785-885-4445
TOLL-FREE: 877-885-1050

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Dear Clients,

Our prayer is that you all took time to enjoy and celebrate Christmas and that we can all have a truly blessed New Year. Thank you for your continued loyalty to our firm. This year we have fielded the most phone calls in history with all the changes related to COVID-19, making us feel like you can reach out and rely on us as a trusted source during continually changing tax regulations. We spent countless hours educating ourselves so we could relay accurate information onto you. Therefore, deeming it a necessity to get our annual client letter out to help enable you to learn about the information and forms we will need to help make the 2020 tax filing season a success for both clients and our firm. There are individual and business worksheets available on our website angelcook.net. Go to the 'Resources' tab, client tax worksheets, then, select and print worksheets that correspond to you and your related tax returns. The worksheets will aid you in gathering the information and forms to prepare your 2020 tax return.

Stimulus Check

Most of you received a "Stimulus Check" this year during the summer. In many instances the check will be less than what you were owed, and we can only determine any additional amount if you let us know the amount received. The IRS informed you of that amount with Notice 1444 which, if you received it, we must reconcile it this year on the 1040. If you did not receive or keep the form, no problem, please just fill in the appropriate lines on the Individual Tax Worksheet. We will gladly email the Client Tax Worksheet out to you as well if you contact us to do so.

Deductions

We still need to accumulate the information on your 1) medical, 2) state income and property tax, 3) mortgage interest, 4) charity and other deductions to apply the latest rules, and to complete your state tax returns. *Additionally, there is a new deduction for charity amounts that does not require you to itemize, so please let us know of all cash contributions you have made in 2020.*

Employee work related business expenses are no longer deductible on the Federal return, but we may still need the information for your state return, and if you incur a lot of these types of expenses, you need to discuss the use of an accountable plan with your employer. With many folks working from home this year a simple tool to help is to see if your employer has an accountable plan to reimburse you, tax-free, for the business use of your home.

Compliance

The IRS has added a new question on the very first line of the 2020 Form 1040 asking whether you have bought, sold, traded, or spent any virtual currency and we must ask you to verify this for us to avoid IRS penalties.

Finally, to prepare your return this year **we are required** to obtain all of your W-2's, 1099's from retirement, interest, dividends and brokers, Forms 1095 for health insurance, bank Forms 1098 and any other official IRS documents.

Planning

1. In the current tax era of greatly increased requirements to itemize deductions, a tax "bunching" strategy is an ideal strategy. The "bunching strategy" recognizes that the best tax deductions are obtained by putting deductions in one year rather than spreading them amongst several years. For example, in years where your charitable contributions are very low, hold off until the next year to catch up, then also pay the full amount of the next year's contributions in the "catch up" year to double your chances of itemizing. Similarly, few Americans receive medical deductions anymore, but if you incur a large expense for say, the deductible on surgery, then try to do all your other medical items in the same year, such as dental and vision exams, check-ups, etc.
2. If you have a Health Savings Account, it is also mandatory that you deposit some amount into it and leave a minimal balance at all times-the tax savings benefits are incredible and this is one of the single best plans available.
3. Every year we are told "I pay too much in taxes" or "I want some of the tax loopholes that rich people get". We can answer both statements with one answer. Rich people get no more tax deductions or "loopholes" than anyone else, they just take advantage of what is there to keep their taxes at a low legal level. The single greatest tax "loophole" that they use, which few average people use to its limit is the ability to defer nearly \$20,000 into a 401-K if your employer has one.
4. Check into your employer's handbook to see what employer provided fringe benefits are available. Taxpayers are often surprised at the available benefits, or at our explanation of what some benefits really mean. We offer special "tax planning" sessions to go through the handbooks and your paycheck to see what is available and what your options may be, via appointment.
5. It looks like estate tax will become an issue again for many Americans. If the value of your home, life insurance, retirement and savings or investments is over \$1,000,000 it may be time again to do some advanced planning, if this pertains to you please call to set up an appointment.

We are happy to meet with you throughout the year for tax planning, retirement, and similar income tax related issues, and sincerely appreciate your continued business each year.

Thank You

ANGEL & COOK, LLC



Gene Angel, EA



Ryan Cook, CPA



Heather Lyle, EA



Lori Ward, RTRP