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O'TOOLE

...where people count

renews

Ideas to help small businesses and individuals maximize income while minimizing taxes.

3rd Quarter 2020

5 TAX CONSIDERATIONS IN THE "NEW NORMAL"

Anyone else feel like 2020 has been the strangest year EVER? And it's only September. We sincerely hope you're doing OK financially. As we got ready to print this issue of ReveNEWS, we thought about the topics that would help you the most. That's always our goal, of course, but especially now.

We begin with five important tax matters that may affect you.



Deferral of Payroll Taxes

As of this writing, The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) allows employers to "defer the deposit and payment of the employer's share of Social Security taxes... and self-employed individuals to defer payment of certain self-employment taxes." All employers may defer the tax payment, even those who received Paycheck Protection Program (PPP) loans. The amount employers may defer is the employer (not employee) portion of Social Security taxes on wages paid from March 27-December 31, 2020. The amount deferred is to be paid in two installments: 50% by December 31, 2021 and 50% by December 31, 2022. Don't worry about forgetting; the IRS will send reminder notices.

Self-employed individuals also may defer payment of 50% of the Social Security tax on their net earnings. To do this, the self-employed individual may reduce their quarterly estimated tax payments by 50% of the Social Security tax due between March 27 and December 31, 2020.

In addition to the employer deferral, employees may be able to defer paying their portion social security tax on wages up to \$4,000 per bi-weekly pay period (or equivalent) earned between September 1, 2020 and December 31, 2020. Repayment would occur between January 1, 2021 and April 30, 2021.

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2020 TAXES: WHERE DO YOU STAND?

The year 2020 has been quite a challenge, to say the least. And there's no doubt that it may affect your finances and taxes for the year. That's why we recommend scheduling time with us to review your income, investments, and taxes now, so you'll be well prepared for the next tax season.

If you bought property, sold property, lost a job, got a different job, had a child, changed your marital status, started a business, sold stock, retired this year...experienced any life changes at all, we're here to help you look at how this affects your financial picture.

Contact us for an appointment: **207-774-0882** or **info@honeckotoole.com**.

Your Honeck O'Toole Team



September 30: Extended due date for calendar year Trusts and calendar year Estates

October 15: Extended due date for Individual Tax Returns & calendar year C Corporations

Got a letter from the IRS? Don't panic! These days, the IRS staff is usually quite helpful and will work with you to set up a solution if you owe taxes. We can also help if you're not sure what to do next.



Unexpected Taxable Income

During this strange year, you may have received money that is taxable for tax year 2020 and may affect your paycheck without realizing it. For instance, if you've taken early IRA withdrawals for a financial need... there's no penalty for the withdrawal this year due to COVID-19, but the withdrawn amount is still taxable. Or, if you have received unemployment compensation payments, that's taxable. You can send in the tax this year or pay it during tax season 2020 (by April 15, 2021).

In any case, there's an easy way to eliminate surprises with a quick IRS Paycheck Checkup. If you're not sure how this may affect your paycheck, or taxes, you can quickly access the IRS Paycheck Checkup website to see if payments or withholding changes are needed. It's all explained in this IRS article: www.irs.gov/newsroom/irs-says-a-paycheck-checkup-helps-avoid-tax-surprises. You'll find the Paycheck Checkup details and instructions here: www.irs.gov/paycheck-checkup/.



Work-From-Home Tax Deductions

Caution: if you're using your own equipment at home to work for your employer, this doesn't qualify for home-office deductions on your annual tax return. Those deductions only apply to self-employed individuals working from home.



The IRS is Behind

Recent bulletins from the IRS have let us know they're behind on processing. The tough thing is, their computer systems generate notices automatically so you might see a notice saying you haven't paid your tax, even though you mailed the check in June. That's because they haven't opened the envelope yet. For anything mailed in that needs to be handled by a person, expect a lengthy delay. This includes reply letters and Power of Attorney Forms 2848 authorizing us to speak to the IRS on your behalf.



Economic Impact Payments (EIP)

Everyone who is eligible should have already received their EIP. However, a few individuals did not receive it or received the wrong amount. The Taxpayer Advocate Service recently sent a bulletin saying they can help in these five scenarios: non-filers, injured spouses, IRS math errors, victims of identity theft, and those whose spouse is deceased or incarcerated. 🚨

QUESTIONS?

If you still have questions,
you can always contact us
to discuss your situation:
207-774-0882 or
info@honeckotoole.com



DON'T MISS THESE ENERGY TAX CREDITS EXPIRING IN 2020

Two tax provisions are set to expire at the end of 2020.

The credit for certain nonbusiness energy property is set to expire at end of this year. This credit is up to a lifetime limit of \$500 for installing residential exterior doors and windows, heat pumps, furnaces, central AC, insulation, and water heaters. So, if you installed (or plan to install in 2020), make sure you grab this credit. It must be done this year to qualify.

The Residential Energy Efficient Property Credit goes from 26% in 2020 to 22% in 2021. This credit is available for solar water heaters, solar electric, geothermal heat pumps, small wind turbines, and fuel cell property. If you're thinking of installing qualifying energy property, be sure to do so by December 31, 2020 for the higher credit amount. 🚨

Questions?
Call us for assistance:
207-774-0882.



WORKING FROM HOME: BENEFITS AND AN IRS ALERT

On social media and in articles across the globe, workers have been reporting a number of benefits related to remote work. As a result, 93% of employees would like to keep working remotely at least some of the time (according to one survey). Here are just five work-from-home benefits. Perhaps you're experiencing them too?

- **Slashed commute!** Employees reported cutting hours off commuting time (and stress) each week, not to mention money saved on gas. This is huge considering, "the average American who drives to work spends 54 hours per year stuck in traffic."*
- **Less money spent on food and clothing:** Workers report saving serious money by making coffee, lunch, and snacks at home...and not having to "dress up" as much for the office.
- **More productive:** Without a commute or office "chit chat," employers are able to buckle down to work in their home workspaces and get more done.
- **Less illness, more fitness:** With no commute and no in-person office community, many employees are staying away from situations where they could catch a cold from a fellow employee, for example. And, they have more time to exercise (at home).
- **More family time:** 80% of remote workers felt healthier, less tired, more human or more connected to their family since transitioning to remote work, and 85% found advantages in remote work that make for a better work/life balance.*

Now, an alert from the IRS: data protection is more critical than ever, with employees accessing files and other online information from home. The Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) urges companies to follow what's called the "Security Six" protections for critical data:

1. **Anti-virus software**
2. **Firewalls**
3. **Two-factor authentication**
4. **Backup software/services**
5. **Drive encryption**
6. **Virtual Private Network (VPN)**

SmartVault

Rest assured, Honeck O'Toole keeps your records safe and protected with our "Security Six" efforts. As a reminder...SmartVault simplifies secure file sharing to help you upload and download documents with us safely, securely, and easily. With SmartVault, it's easier to access copies of your tax returns and send us related financial documents.

We encourage everyone to use SmartVault. If you're not already using it, please call John Lydon in our office at 207-774-0882 or email jlydon@honeckotoole.com. 📧

*Statistics are from www.wandera.com/statistics-on-remote-working-during-covid-19-lockdown/ and the New York Times.

Feel Strongly About the Economy? VOTE VOTE VOTE!

This election season, your voice is needed more than ever. We encourage you to get out and vote for candidates who represent your hopes for the future.

To help you figure out which candidates align with your beliefs, there's a website that outlines the candidates' tax platforms. Check it out to make informed choices this November: <https://taxfoundation.org/>. 📧

GO VOTE
GO VOTE
GO VOTE



KATHY DEFILIPP PROMOTED TO OFFICE MANAGER

We're delighted to announce that Kathy DeFilipp has been promoted from our Front Office Manager to Office Manager. She is now the equivalent to our Practice Manager. Not only has Kathy demonstrated a reliable commitment to our clients and our team, we have benefited from her vast experience in customer service, operations management, quality control, scheduling, and reporting — particularly during this recent, unusual tax season and lockdown time for our office.

If you call or email our office for information or to schedule an appointment, Kathy will be standing by to help you. She'll still usually be the voice you hear when calling our office.

ANDREW ZARRO - Little Woodfords

In October 2017, Andrew Zarro opened a little coffee shop in Portland's Woodfords area. His mission was to serve exceptional coffee while contributing to neighborhood revitalization. The business took off, thanks in part to incredible press coverage. Last year, the shop made it on the "Top 100 Coffee Shops in America list" (*Food & Wine Magazine*), the "10 Best Coffee Shops" in Portland ME (*Conde Nast Traveler*)...and a top 10 list in *Bon Appetit*. Wow!



Fast forward to 2020, the business closed on March 16 when everyone in Maine closed due to COVID-19. Andrew told us, "That same day, our landlord informed us that when the three-year lease renewed shortly, the rent would increase significantly." Serendipity intervened when his sister texted him about the availability of a little historic building at 316A Congress Street, a building Andrew had coveted. He opened the new location in early July 2020, perfectly located at the intersection of Franklin and Congress. Andrew noted, "It's impossible not to see its pink décor and adorableness."

The shop is focused on coffee, tea, and local baked goods. "First and foremost, we're coffee people," Andrew said. "I work with a Vermont coffee company that sources coffee in an ethical way. But it's not just for coffee nerds. It's everybody's coffee!" He added that they support the local food system—bakers who don't have their own storefronts. These days, the shop is busy with outdoor and online ordering and with contactless pickup to keep everyone safe and happy. Their website is littlewoodfords.com.

ASTRID VIGELAND Folly 101

Folly 101 has been a favorite Old Port shop for 19 years now, offering simple, gorgeous, hand-selected products for the home, plus body products, and more. It's always been a popular destination for locals and tourists. Winter was always a slow time, and owner Astrid Vigeland would shut down in February to renovate and freshen up the inventory...but they were doing a tremendous business each year.



And then the pandemic hit. Astrid said, "We had to shut down in March, and then we opened back up in July. We really didn't know what to expect. We contacted our long-time vendors and found that most of them hadn't shipped for four months, so we were able to get some products. We took out a small loan to order shipments to, then we hit the ground running."

She told us that she and Emily, her store manager, were prepared for a COVID battle. But customers have been amazing. She said, "We're seeing the best of what people can be: kind, generous, everyone using masks. We've had locals say, 'I haven't been out in 5 months, and you're the first store I've been to.' I'm cautiously optimistic for the rest of the year. We're doing all we can to make our store ready for Christmas, where we do a third of our annual business. All we can do is hope and take it one day at a time." Folly 101, located at 101 Exchange St, Portland, is currently open 20 hours a week. Customers can order products to be shipped or for curbside pickup via Facebook and Instagram.



Call for Assistance Anytime! We welcome your questions about taxes, financial planning, college planning, making the most of 401(k)s, or anything else related to your money.

www.honeckotoole.com

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