



HONECK ·
O'TOOLE

...where people count

renews

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

4th Quarter 2020

WORKING REMOTELY? PREPARE FOR COVID-19 TAX ISSUES

Before we say goodbye to this strange year, we wanted to make you aware of a unique tax matter that may affect you if you've been working remotely in 2020. As you might imagine, things just got more complicated between different states' tax codes when millions of people started "teleworking."

Let's look at how this issue may affect you.

COVID-19 Individual Income Tax Relief

In October 2020, the Maine Revenue Service (MRS) clarified that it is offering tax relief to residents of Maine who typically worked outside of the state... but ended up teleworking from their Maine residences this year due to COVID-19.

The MRS noted on its website's Coronavirus (Covid-19) FAQ page: "Maine residents who find themselves teleworking from home for a business located outside of the state will continue to be subject to the same withholding structure as if they were still working outside the state."

Governor Mills proposed a tax credit to "ensure Maine residents avoid double taxation due to COVID-19-related telework by allowing a state tax credit for income paid to other states if those states impose an income tax withholding obligation despite the employee no longer physically working in the state." The legislation is expected to be introduced in January, so more to come!

In short, it's a tricky tax situation and the implications are not clear yet. While Maine is trying to keep things similar to pre-pandemic situations, not all states are the same. For example, Massachusetts passed legislation saying any non-resident who worked for a Massachusetts company is subject to Massachusetts income tax, no matter where they were located while working remotely. New Hampshire, which doesn't impose an income tax, brought a lawsuit against Massachusetts for taxing NH residents during stay-at-home orders and remote work. The claim is that this is unconstitutional, and the case is with the Supreme Court to decide.

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Thank You for Your Business

As the holiday season approaches, the team here at Honeck O'Toole wishes to thank you for your business and your kind referrals... and we look forward to serving you in 2021 and beyond. May you and yours have a joyous Holiday Season and a safe and happy New Year! **Your Honeck O'Toole Team**

Call Now for a Year-End Projection and Last-Minute Advice

Not 100% sure where you stand for tax year 2020? We want to help you be fully prepared. This is the best time to consider how 2020 tax changes may affect you, especially if you've had changes in your business or personal life this year. Contact us as quickly as possible if you'd like our help in looking at your 2020 tax-year picture. **207-774-0882 or info@honeckotoole.com.**

Annual Tax Organizer: Paper or Online?

In early January, you can expect to receive our annual Tax Organizer. A digital "fill-in-the-blanks" E-Organizer is available for individual tax returns only, and is only available on Windows based PCs. If you prefer to use the E-Organizer, just call or email us after January 1, 2021: **207-774-0882 or info@honeckotoole.com.**

A Little Reminder: SmartVault Secure Doc Sharing

To help you upload and download documents safely, securely, and easily with us, we offer SmartVault, our cloud-storage portal. SmartVault makes it easier to access copies of your tax returns and send us documents. If you haven't joined SmartVault, now is a great time! **Call John Lydon in our office at 207-774-0882 or email jlydon@honeckotoole.com.** He'll send you an invitation and link to join our SmartVault "Client Portal," which will then prompt you to set up private login credentials starting with your email address. You can access your SmartVault Client Portal anytime by visiting our website.

Prepare for Any and All Tax Scenarios

To make things easier for you for tax year 2020, we urge you to prepare now... while we all wait for news. Be sure to do the following if you can:

- Maintain your pre-pandemic estimated payments to the state of Maine or other states.
- Maintain your pre-pandemic income tax withholding amount from your payroll.
- Sit tight while decisions are being made regarding tax relief and penalty relief. On a positive note, in the October Maine Tax Alert, MRS noted they would abate

estimated tax penalties, if requested, by those who found themselves working remotely as a result of COVID-19.

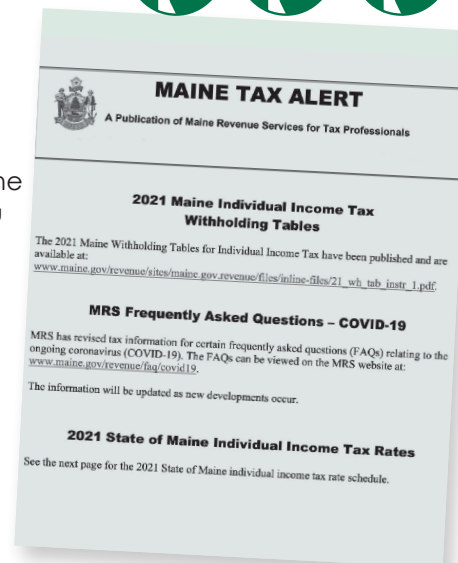
In addition...

- Compile a list of any states you've worked in remotely during 2020. For instance, if you're a Maine resident but stayed with family in another state for a while (and worked from there) — make note of those dates (specific or approximate).
- Be as specific as possible, listing any towns, cities, counties, municipalities and school districts you

worked from. There may be tax implications depending on where you were.

- Keep records of the company(ies) you worked for, where they're located, etc.

It's very likely that we'll need to assist you in determining where you stand for tax year 2020. You may want to schedule a January or early February appointment with us to reserve your spot. We expect to be very busy in the upcoming tax season!



To discuss your situation or schedule an appointment, call 207-774-0882 or email info@honeckotoole.com.



2021 FEDERAL AND MAINE INCOME TAX BRACKETS ANNOUNCED

Each year, the government adjusts tax brackets for income earned to account for inflation and to reduce "bracket creep" (where taxpayers could get pushed into the higher bracket due to inflation only).

Of course, things are subject to change depending on Congress. Rather than comment on proposed legislation, **for now here's how the Federal brackets change for tax year 2021 over 2020:**

2021: 37% for incomes over \$523,600 (\$628,300 for married couples filing jointly)
2020: 37% for incomes over \$518,400 (\$622,050 for married couples filing jointly)

2021: 35% for incomes over \$209,425 (\$418,850 for married couples filing jointly)
2020: 35% for incomes over \$207,350 (\$414,700 for married couples filing jointly)

2021: 32% for incomes over \$164,925 (\$329,850 for married couples filing jointly)
2020: 32% for incomes over \$163,300 (\$326,600 for married couples filing jointly)

2021: 24% for incomes over \$86,375 (\$172,750 for married couples filing jointly)
2020: 24% for incomes over \$85,525 (\$171,050 for married couples filing jointly)

2021: 22% for incomes over \$40,525 (\$81,050 for married couples filing jointly)
2020: 22% for incomes over \$40,125 (\$80,250 for married couples filing jointly)

2021: 12% for incomes over \$9,950 (\$19,900 for married couples filing jointly)
2020: 12% for incomes over \$9,875 (\$19,750 for married couples filing jointly)

2021: 10% for incomes up to \$9,950 (\$19,900 for married couples filing jointly)
2020: 10% for incomes up to \$9,875 (\$19,750 for married couples filing jointly)

Here are the Maine brackets for tax year 2021:

Single individuals and married persons filing separate returns:

5.8% for incomes up to \$22,450
\$1,302 plus 6.75% of any amount over \$22,450 up to \$53,150
\$3,374 plus 7.15% of any income in excess of \$53,150

Unmarried or legally separated individuals qualifying as heads of household:

5.8% for incomes up to \$33,650
\$1,952 plus 6.75% of any amount over \$33,650 up to \$79,750
\$5,064 plus 7.15% of any income in excess of \$79,750

Married individuals or surviving spouses filing joint returns:

5.8% for incomes up to \$44,950
\$2,607 plus 6.75% of any amount over \$44,950 up to \$106,350
\$6,752 plus 7.15% of any income in excess of \$106,350



THE IRS INTRODUCES QR CODES TO HELP TAXPAYERS

Owe any taxes to the IRS? If you do, you'll be among the millions of taxpayers receiving a "balance due" letter that includes a QR code. When you scan this special code using your smartphone, you'll get direct access to the information you need on IRS.gov to resolve your account balance online — without the need to call or interact with the IRS directly.

With this new method, you can also access current forms and publications, prior year forms and publications, and order a tax return copy or account transcript if you can't find your tax return. 📄

Forms & Publications

Can't find what you need?



Use your QR Reader app to scan this code and get connected to the IRS Forms and Publications homepage which will allow you to access the following:

CALL FIRST (NO "DROP-INS", PLEASE)

To make sure our staff can assist you in the best way possible, please always call us first to make an appointment. We've seen an upswing in individuals dropping by unplanned, and we never want to disappoint them... or you.

Please know that we're here to assist you! But since many of us often work from home now (common during COVID-19), and we have limitations on the number of guests in the office at one time, we can better serve you with scheduled appointment times. Many thanks for your understanding. 📄

To book an appointment, call 207-774-0882 or email us at info@honeckotoole.com.



TAX TIPS AND NOTES



This would be a good time to check on the following breaks for tax year 2020.

If you need help in seeing if you qualify, call 207-774-0882 or email us at info@honeckotoole.com.

- **Medical and dental expenses:** The threshold is increasing next year. For 2020, you may be able to deduct unreimbursed expenses up to an annual threshold of 7.5% of your adjusted gross income. This threshold increases to 10% in 2021. You may want to pay medical expenses this year while the threshold is lower.
- **Healthcare Coverage Tax Credit:** Lower-income individuals and families who paid 100% of their health insurance premiums may be eligible for a credit. The credit size is based on annual income, but this is the last year as it expires after 2020. NOTE: This is not the same credit as the Premium Tax Credit, a refundable credit for those who purchased insurance through the Health Insurance Marketplace. The Premium Tax Credit is not expiring and is still available after 2020.
- **The \$4,000 income adjustment for Qualified Tuition and Fees** will expire at the end of 2020. However, the education credits, like the Lifetime Learning Credit and the American Opportunity Tax Credit are still available.
- **For other expiring provisions**, such as expiring Energy Credits, please see our previous newsletters found on our website: <https://www.honeckotoole.com/newsletters/>
- **And a charitable reminder:** The CARES Act added a \$300 deduction for donations, on top of the Standard Deduction. So that means if you generally take the Standard Deduction (\$24,800 for Married Filing Joint and \$12,400 for Single filers) you receive an additional \$300 deduction for donations made to charity, without having to itemize. 📄

REBECCA GAGNON IS NOW A FULL-TIME ASSOCIATE!

Rebecca Gagnon has joined the Honeck O'Toole staff full-time after serving our clients as a seasonal team member for the past three tax seasons, while running her ice-cream shop the rest of the year. We're excited to have her on board full-time; she's done a terrific job for our clients and is a joy to work with.

Rebecca commented, "We are currently selling our ice cream shop, so Joyce offered me a full-time position at the firm, and I jumped at the chance to accept it. I am very happy to be added to the team."

After graduating college, Rebecca and her family purchased the ice cream shop that she had worked at since she was 14. Rebecca was born and raised in Maine and just recently moved to Hollis with her adorable dog, two cats, and two beehives (a recent hobby).

Rebecca is currently working towards completing the CPA exam to further her knowledge.

Please join us in welcoming Rebecca to the team!



Rebecca Gagnon

DISCLAIMER: Any accounting, business, or tax advice contained in this communication are not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.



Rush DeNooyer
Writer, Producer,
Director, Composer

Rush is an accomplished filmmaker who has made documentaries for PBS, History, Discovery, National Geographic, Smithsonian, Turner Broadcasting, and others. His work has been honored with the George F. Peabody Award, the Writers Guild of America Award, and the International Documentary Association's Distinguished Achievement Award, to name just a few accolades. He's a creative force.

We asked Rush how it's going now, with the film business impacted by the pandemic. He said, "Some of my work involves research and writing, which I do at home, so that's not impacted. But I also go on shoots; that has been severely affected. We'll see what happens in the new year."

Rush mentioned that he recently produced,

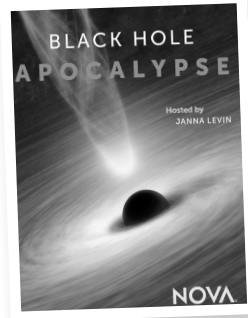
directed, and wrote "Black Hole Apocalypse" (a PBS Nova special). He told us it had "consumed over three years of my life, and was a really difficult challenge. First, I had to learn about black holes, so the content was very difficult. Then I had to try and translate the science into something non-scientists can grasp, and craft it into an entertaining story that flows, has enjoyable twists and turns, and makes sense. And finally, I had to work with a physicist, Janna Levin, who would be an on-camera host – a first for her."

To see Rush's amazing work, check out these shows on Netflix, Amazon Prime, and YouTube:

- "Black Hole Apocalypse" www.pbs.org/wgbh/nova/video/black-hole-apocalypse/
- "Apollo's Daring Mission" (the story of Apollo 8, the first time humans left earth): www.pbs.org/video/apollos-daring-mission-ntnwii/



Rush DeNooyer during "Black Hole Apocalypse" shoot



Poster / DVD Cover

- "The Bomb" www.pbs.org/video/bomb-full-episode/

And... he's working with Lone Wolf Media of South Portland on six new episodes of Smithsonian Channel's "America's Hidden Stories," which premieres in January 2021. 📺



WATCH FOR YOUR PURPLE PRE-BILL

Recently, we mailed your 2020 Honeck O'Toole tax preparation pre-bill (the "purple pre-bill"). You can choose to pay part of next spring's tax return preparation fee before 12/31/20 and take the deduction in this tax year (if you qualify). Please note that this payment is always **OPTIONAL**, not required.

Phone: 207-774-0882

Email: info@honeckotoole.com



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

www.honeckotoole.com



511 Congress Street, Suite 900, Portland, Maine 04101
 Moll: PO Box 7980 DTS, Portland, ME 04112
 Email: info@honeckotoole.com
 Phone: 207-774-0882 Fax: 207-773-2047

