Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

How to claim a donation as a tax deduction

Certain donations are not recognized by the IRS as deductible

APPLETON, Wis. (Jan. 25, 2021) – The IRS recognizes the importance of donating to charitable organizations and allows taxpayers to deduct certain charitable contributions, but which gifts are tax deductible and what kind of records are needed to claim a deduction?

Contributions made to qualified §501(c)(3) organizations that are religious, charitable, educational, scientific, testing for public safety or literary in purpose are deductible. It is important to verify the organization's charitable status. The easiest way to do this is by calling them or checking their website. A receipt is needed for any donation deducted, even a single dollar dropped into the red bucket.

Be mindful that not every donation is deductible. For example, clothing or food given directly to victims (the items must be given through a charity), political contributions and the value of time — even if the work accomplishes something a paid position would otherwise accomplish or if time off work was taken, are all considered nondeductible contributions.

The most common contributions are cash and checks. Monetary gifts can also be made by credit card or payroll deductions. The entire amount of a monetary donation is deductible, provided that nothing of value is received in return. If a benefit is received as a result of a contribution, only the part of the contribution that is greater than the value of what was received is deductible.

Other common donations are property or out-of-pocket expenses paid to do volunteer work. If transportation costs to perform volunteer work are incurred, the actual cost of gas and oil or the standard rate of 14 cents per mile can be deducted. Add parking and tolls to the amount claimed using either method. In general, clothing and household items are deductible at their current values, whereas food items are deductible at cost.

Noncash contributions require records describing the property donated and the method used to determine its value. The taxpayer is responsible for valuing the property either through appraisal or by comparison to other property. Generally, charitable organizations will only issue a receipt stating the donation was made and will not assign a value. Special rules apply for donated stock, real estate and other capital assets that would have resulted in capital gains.

Charitable contributions are generally itemized deductions on Schedule A. However, for 2020-2021, certain cash contributions of up to $300 (up to $600 on a married filing jointly return for 2021 only) may be deducted by non-itemizers.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as your sole source of authority. The National Association of Tax Professionals (NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a registered tax professional near you, visit www.natptax.com.

###

NATP is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

Military personnel may receive additional tax benefits for 2020 returns

APPLETON, Wis. (Jan. 25, 2021) – Members of the military and their families may be eligible for special tax benefits on their 2020 tax returns. For federal tax purposes, the U.S. Armed Forces include enlisted personnel in all regular and reserve units controlled by the Secretaries of Defense — the Air Force, Army, Coast Guard and Navy.

Travel expenses can be deducted if they are unreimbursed and are incurred while traveling away from home. Homes of members of the U.S. Armed Forces are considered their duty station if on a permanent duty assignment. To be deductible, the travel expenses must be work-related. Military personnel cannot deduct any expenses for personal travel, such as visits to family on leave. If part of the Reserves, unreimbursed travel expenses for traveling more than 100 miles from home to perform reserve duties are eligible for deduction. They do not have to itemize deductions since eligible expenses are deducted as an adjustment to income. The standard mileage rate is 57.5 cents for 2020 and 56 cents for 2021.

Uniform purchase cost and future upkeep deductibility depend on whether the uniform can be worn when off duty. If the uniform can be worn while off duty, no costs can be deducted. However, if the uniform is prohibited from being worn when off duty, the cost associated with that uniform may be deducted. The following are deductible:

- Military battle dress uniforms and utility uniforms that cannot be worn while off-duty
- Articles not replacing regular clothing, including insignia of rank, corps devices, epaulets, aiguillettes and swords

Moving expenses have special rules that apply to active-duty members of the U.S. Armed Forces and their surviving spouses who move due to a permanent station change. Deductible expenses include unreimbursed costs of moving, travel and storing and insuring personal items including household goods.

Distributions from an IRA, 401(k) or 403(b) plans made after the date of the order or call to active duty and before the close of the active-duty period have special rules and may not be subject to the 10 percent penalty tax on early distributions. Such distributions are also eligible to be repaid to the plan if paid back within two years of ending active duty.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as the sole source of authority. The National Association of Tax Professionals (NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a local, registered tax professional, visit www.natptax.com.

###

NATP is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP Marketing Director
nkasten@natptax.com

Gig economy workers may face tax implications for 2020 returns

NATP advises opening separate business bank account to track deductible expenses

APPLETON, Wis. (Jan. 25, 2021) – Picking up a second job to supplement household income is common – especially as many Americans deal with the fallout of COVID-19. Many are choosing to become gig economy workers who perhaps deliver on-demand food from restaurants and grocery stores or packages from online retailers. Some may not realize the tax implications of becoming a sole proprietor and what they need to do to file taxes.

Conducting business as a sole proprietor is one of the simplest forms of operation. It's easy to start a business operated as a sole proprietorship and equally as easy to discontinue. The first step when starting a business is to open a separate business checking account. It will be easier to track the deductible expenses if they are not commingled with personal expenses. If the taxpayer incurred expenses prior to opening their business, they should keep them separate from their other expenses. Special tax treatment applies to startup expenses.

It is important to keep track of the business mileage, as it may be eligible for deduction. If the taxpayer is self-employed and maintains an eligible office in their home, they can deduct the mileage to and from their client/customer's place of business, as well as between jobs.

There are two ways to calculate auto deductions: the standard mileage rate or actual expenses. The standard mileage rate is the easier method and can be calculated by multiplying total business mileage by the current rate ($.57 ½ for 2020 and $.56 for 2021). The actual expense method is exactly that, recording the actual expenses such as the cost of gas, oil, insurance, repairs, maintenance, tires, washing, licenses and depreciation. This method requires the taxpayer to keep very detailed records and if they use their car for personal and business purposes, they will have to divide the expenses between the personal and business portion.

The IRS allows self-employed taxpayers to claim a deduction for home-based business expenses if they meet certain requirements. They must use the home office regularly and exclusively:

- As the principal place of business for their trade or business
- As a place to meet with customers in the normal course of their trade or business
- In connection with their trade or business, if the location is in a separate structure that's not attached to the dwelling unit.

Similar to the auto deduction, there are two ways to compute the home office deduction: the simplified method or the traditional method. The simplified method allows taxpayers to deduct $5 per square foot, up to a maximum of 300 square feet, for their home office. The traditional method allows taxpayers to deduct all the direct costs associated with their home office, as well as a portion of the indirect costs.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as the sole source of authority. The National Association of Tax Professionals (NATP) advises working with a tax expert in the local area who keeps current on tax law changes and is also an NATP member.

To learn more about NATP or find a tax professional in your area, visit www.natptax.com.

###

NATP is the largest association dedicated to equipping tax professionals with the resources, connections, and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

IRS deadline approaching for small, non-profit organizations

Deadline includes sports clubs, civic organizations and local associations

APPLETON, Wis. (Jan. 25, 2021) – Even small non-profit organizations, such as sports clubs, civic organizations and local associations, are required to file a yearly report with the IRS. By law, the IRS will automatically revoke the federal tax-exempt status of organizations that fail to file annual reports for three consecutive years. However, churches and church-related organizations are not required to file annual reports unless they have unrelated business taxable income.

The Form 990-series information returns and notices are due on the 15th day of the fifth month after an organization's tax year ends. Many organizations use the calendar year as their tax year, making May 17, 2021, the deadline to file for 2020 since it's the next business day after May 15, 2021.

The IRS offers an online search tool called Tax Exempt Organization Search. This helps users easily find key information about the federal tax status and filings of certain tax-exempt organizations, including whether an organization has had its federal tax exemption automatically revoked.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as the sole source of authority. The National Association of Tax Professionals (NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a local, registered tax professional, visit www.natptax.com.

###

The National Association of Tax Professionals (NATP) is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

The importance of meeting with a qualified tax professional

What to bring to the annual appointment

APPLETON, Wis. (Jan. 26, 2021) – With the filing season quickly approaching, it is important to contact a tax professional early to reserve a convenient time for an appointment. Tax returns can be done more accurately and in a shorter period of time if the taxpayer brings all of the information to the initial appointment.

Taxpayers should start preparing early for the tax appointment by compiling a list of the documents they expect to receive based on last tax year's statements and this tax year's activities. This year, if possible and applicable, taxpayers should bring their Notice 1444 and Notice 1444-B. These notices listed the amount they received as a stimulus payment(s) and when the payment was deposited into their account.

Call the tax preparer with any questions about necessary documents needed. When the documents start coming in the mail or electronically (usually around the end of January), mark them off a list and put them in a tax folder with the list to stay organized.

If employed, the taxpayer will need to include their W-2. If they received income from interest, dividends, pensions, self-employment, government payments or the sale of property, they would receive a Form 1099. It is helpful to bring the actual statements to the appointment. Remember that not all forms will look alike. Furthermore, issuers can create their own substitute 1099s that may look entirely different than the official IRS version of 1099s. Somewhere on the envelope, on the form or in the email, it must clearly state it is an important tax document. Also, the taxpayer should not forget to include any Schedule K-1s they receive from a partnership, an S corporation, trust or estate. If the taxpayer had any income not reported on the forms listed above, it's important to make a note for the tax preparer to include it.

If stock was sold during the year, the taxpayer will receive a 1099-B as described above that includes the gross proceeds. However, the price paid for the stock and the cost basis may not be listed on the 1099-B. Generally, the cost basis is the purchase price of the stock. If the stock was received as a gift or inheritance, other means of determining the cost will be necessary. For every stock sold, include the basis for the tax professional to calculate the net gain/loss.

If a taxpayer owns a home, they might be able to itemize deductions. Each year bring the property tax bill and the mortgage interest statement to the tax appointment. Medical expenses are deductible if they exceed 10 percent of the adjusted gross income (AGI). Applicable medical expenses include: prescription drugs, doctor, dental, hospital bills, medical insurance premiums not paid on a pre-tax basis through the taxpayer's employer and the mileage to and from the doctor's office. Charitable contributions are a good source of deductions. Contributions can be cash, property or out-of-pocket expenses paid to do volunteer work. If the taxpayer drove to and from the volunteer work, they can take the actual cost of gas and oil or use the standard rate of 14 cents-per-mile. The taxpayer will need a receipt for any donation they claim.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as the sole source of authority. The National Association of Tax Professionals (NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a local, registered tax professional, visit www.natptax.com.

###

NATP is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

Divorced couples should note alimony changes under TCJA

Alimony no longer tax deductible

APPLETON, Wis. (Jan. 25, 2021) – Determining the tax consequences that can arise during a divorce or marital separation can be vital for the financial protection and well-being of the taxpayer and their family. That's why it's important to understand applicable tax laws before making any major decisions.

One of the most confusing tasks during the divorce process is determining whether a payment should be considered alimony or child support. Generally, alimony is the amount paid to a spouse for their living expenses, education, health or life insurance, property taxes or mortgage payment. Alimony is not for providing child support.

Under the *Tax Cuts and Jobs Act (TCJA)*, alimony is not tax deductible. Furthermore, it is not included in the recipient's gross income. The TCJA rules apply to divorces and legal separations executed after 2018, meaning the alimony-paying spouse cannot deduct the payments and the alimony-receiving spouse doesn't include them in gross income.

In general, the TCJA rules do not apply to existing divorces and separations executed before 2019. If the TCJA rules don't apply, the old rules continue to apply. In this case, the person receiving alimony must pay taxes on the payments received during the year and the paying spouse may deduct the amount paid during the year, provided the payment meets the following conditions:

- The payment is made in cash or cash equivalent, which includes checks, bank deposits, etc. Payments in the form of bonds, stocks, money market shares or actual objects are not considered alimony for tax purposes.
- The payment is made as the result of a legal separation agreement or divorce decree.
- The spouses do not live in the same household at the time the payment is made.
- The divorce decree does not designate the payment as nontaxable to the recipient or nondeductible by the payer.
- There can be no liability for payments after the death of the receiving spouse.

Child support, unlike alimony, is not taxable to the spouse who received the payment, nor is it tax deductible by the spouse who makes the payment. A divorce decree may specifically call the payment "alimony," but the payment may have the characteristics of child support, for example, the designation in the divorce document that the payment changes or terminates at certain milestones in the child's life.

Tax challenges during and following a divorce are common, but they can be minimized with some knowledge about tax laws and IRS procedures. Financial planning is an important part of the divorce process.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as a sole source of authority. The National Association of Tax Professionals (NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a local, registered tax professional, visit www.natptax.com.

###

NATP is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

NATP warns taxpayers, tax pros of fake IRS scams

Scammers send fake IRS notices, lure unsuspecting victims

APPLETON, Wis. (Jan. 26, 2021) – Every year, taxpayers are bombarded with emails and letters claiming to be from the IRS and asking for personal information. The subject titles on many of these emails claim that the IRS is trying to contact the person because they have a refund for them. These are commonly referred to as phishing scams.

Phishing is a term used to describe emails that are “fishing for information” and “hooking” victims. The content of these messages lure readers into believing that the IRS needs information from them. The IRS has issued several recent consumer warnings on the fraudulent use of the IRS name or logo by scammers trying to gain access to consumers’ financial information to steal their identity and assets through emails and letters.

These scam messages are used to trick readers into providing sensitive information. Fraudsters typically request bank information or credit card numbers so readers can pay their tax due or receive their refunds. Unsuspecting persons are now victims of identity theft.

The IRS will never request financial information, passwords, PINs or any other sensitive information from anyone via email. The IRS sends paper notices to taxpayers to discuss tax account information. Never provide bank information to someone via email.

Do not reply to these phishing emails. Do not open any attachments — they might contain malicious code that could infect the computer. Also, do not click any links provided in the email. These websites could also give the computer a virus or malware.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as a sole source of authority. The National Association of Tax Professionals (NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a local, registered tax professional, visit www.natptax.com.

###

NATP is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

E-filed returns on the rise for 2021

Mailed returns to be significantly delayed for processing

APPLETON, Wis. (Jan. 26, 2021) – Considering the impacts of COVID-19, the IRS is expecting a surge in e-filed returns. Of all the federal tax returns filed in 2013, 77 percent were filed electronically. This number jumped to 90 percent in 2019. Those who don't e-file are now the exception.

Why would almost 152 million taxpayers choose to e-file? There's no waiting in line at the post office, no worrying if a return reached its destination and no need to write a check. Tax due can be paid by using the Electronic Federal Tax Payment System (EFTPS). Electronic payment options are convenient and secure. E-filing allows taxpayers to submit a return to the IRS in a quick, accurate and efficient way. Taxpayers don't need to worry about attaching specific documents to certain pages or if the person at the IRS correctly keyed in the return. In addition, e-filed returns are processed more quickly, which results in a quicker turnaround time.

E-filing is also beneficial for the IRS as it costs significantly less to process an e-filed return than a paper one – an issue that was highlighted when the effects of COVID-19 hit. Computer processed e-filed federal returns consequently have fewer errors than the human processed paper returns.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as the sole source of authority. The National Association of Tax Professionals (NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a local, registered tax professional, visit www.natptax.com.

###

NATP is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

Incorrect Social Security numbers top list of most common tax mistakes

Rejected returns can delay refund several weeks, months

APPLETON, Wis. (Jan. 25, 2021) – At the close of each tax filing season, the Internal Revenue Service (IRS) compiles a list of the most common errors taxpayers make when filing their tax returns. Believe it or not, incorrect mathematical calculations are **not** the number one error. The most frequent culprit for the past several years is submitting incorrect Social Security numbers on individual income tax returns.

When an incorrect return is filed, the IRS first "rejects" it, then sends a notice to the taxpayer requesting additional information. This can delay a refund by several weeks, or even months. In other instances, the IRS may issue a refund, but for a lesser amount than what the taxpayer was expecting. This may occur when a claimed dependent has a missing or incorrect Social Security number, or when another taxpayer claims the same dependent.

Another reason a taxpayer may receive a reduced refund is if they are eligible to claim a tax credit for child and dependent care expenses but do not include the Social Security number or Taxpayer Identification Number of their caregiver on the tax return. The IRS will issue the refund, less the amount of the credit. The taxpayer will then have to file an amended return and wait several more weeks for the rest of their money. All this can be avoided if care is given when entering required information on a return.

Other details to keep in mind when filing taxes this year include:

- If paper filing, sign the return in the proper places. If filing a joint tax return with a spouse, both must sign. If one spouse has passed away during the year, the surviving spouse must write "Deceased," the spouse's name and the date of death across the top of the return, above the area where the address is entered. The surviving spouse should also sign the return and write "filing as surviving spouse" in the signature area below their signature.
- For proper filing, attach Copy B of all Forms W-2 received during the year to the federal return. Also, attach any Forms 1099 that report tax withholding. For electronic filing, all appropriate Form W-2 or Form 1099 information should be entered on the input form, which is included with the electronic return.
- Mail the return to the proper address. The IRS often changes the address for mailing returns. If the taxpayer has a balance due, they must use a payment voucher and mail their return to a lock box instead of the service center. If electronically filed, the chance of mailing the return to the wrong service center is virtually eliminated.
- If the taxpayer owes money this year, make the check payable to the United States Treasury, **not** the IRS.
- Double-check the tax from the tax tables, as well as all calculations.
- Make a copy of the return for record purposes.
- Be certain there is enough postage on the envelope. Include the full return address. If the taxpayer owes, it's a good idea to spend the extra dollars and use registered mail so there is a record that the IRS received the return if they are paper filing.

Taking a few minutes to double check the tax return before sending it to the IRS, whether mailed or electronically filed, will increase the likeliness that the IRS issues the refund in a timely manner. The IRS encourages taxpayers to e-file. By e-filing tax returns, many common errors may be avoided or corrected by the computer software.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as the sole source of authority. The National Association of Tax Professionals

(NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a local, registered tax professional, visit www.natptax.com.

###

The National Association of Tax Professionals (NATP) is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

Taxpayers with children may experience additional tax savings on 2020 returns

APPLETON, Wis. (Jan. 25, 2021) – When trying to cut costs with a child, parents can get creative. One thing they often cannot cut, however, are child care costs. Luckily, there is a tax credit for child and dependent care expenses offered on individual tax returns. The credit can be up to 35 percent of qualifying child care expenses, limited to $3,000 for one qualifying person or $6,000 for two or more qualifying persons, depending on adjusted gross income.

To receive the credit for child and dependent care expenses, the person receiving the care must be a qualifying person — either a dependent child under the age of 13 or individuals who are physically or mentally incapable of caring for themselves. The taxpayer must also be the custodial guardian for the qualifying person, and they must live with them more than half the year, even if they do not claim them as a dependent.

Only care provided while the taxpayer (and their spouse) are either working or looking for work qualifies. If they are married, the taxpayers must file a joint return to claim the credit. Furthermore, they (and their spouse) must have earned income from wages, salaries, tips or net earnings from self-employment. However, one spouse can be exempt from having earned income if they were a full-time student or were physically or mentally unable to care for themselves.

Another requirement to claim the credit is a qualified caregiver must provide the dependent care. Spouses, dependents and children under age 19 are not qualified caregivers. At the end of the year, most caregivers will provide a statement with their federal employer ID number (EIN) or Social Security number (SSN), full name, address and amount paid. All of this information is necessary for the tax return. If the taxpayer does not receive a statement at the end of the year with this information, they should request this information prior to bringing their information to their tax preparer.

If the taxpayer's employer provides a dependent care benefit, the benefit amount reduces the amount of credit available on the tax return. If they pay someone to come to their home and provide care, they may be considered a household employer, in which case additional forms need to be included with the tax return.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as a sole source of authority. The National Association of Tax Professionals (NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a local, registered tax professional, visit www.natptax.com.

###

NATP is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.

Media contact:
Nancy Kasten, NATP marketing director
nkasten@natptax.com

The importance of meeting with a qualified tax professional

What to bring to the annual appointment

APPLETON, Wis. (Jan. 26, 2021) – With the filing season quickly approaching, it is important to contact a tax professional early to reserve a convenient time for an appointment. Tax returns can be done more accurately and in a shorter period of time if the taxpayer brings all of the information to the initial appointment.

Taxpayers should start preparing early for the tax appointment by compiling a list of the documents they expect to receive based on last tax year's statements and this tax year's activities. This year, if possible and applicable, taxpayers should bring their Notice 1444 and Notice 1444-B. These notices listed the amount they received as a stimulus payment(s) and when the payment was deposited into their account.

Call the tax preparer with any questions about necessary documents needed. When the documents start coming in the mail or electronically (usually around the end of January), mark them off a list and put them in a tax folder with the list to stay organized.

If employed, the taxpayer will need to include their W-2. If they received income from interest, dividends, pensions, self-employment, government payments or the sale of property, they would receive a Form 1099. It is helpful to bring the actual statements to the appointment. Remember that not all forms will look alike. Furthermore, issuers can create their own substitute 1099s that may look entirely different than the official IRS version of 1099s. Somewhere on the envelope, on the form or in the email, it must clearly state it is an important tax document. Also, the taxpayer should not forget to include any Schedule K-1s they receive from a partnership, an S corporation, trust or estate. If the taxpayer had any income not reported on the forms listed above, it's important to make a note for the tax preparer to include it.

If stock was sold during the year, the taxpayer will receive a 1099-B as described above that includes the gross proceeds. However, the price paid for the stock and the cost basis may not be listed on the 1099-B. Generally, the cost basis is the purchase price of the stock. If the stock was received as a gift or inheritance, other means of determining the cost will be necessary. For every stock sold, include the basis for the tax professional to calculate the net gain/loss.

If a taxpayer owns a home, they might be able to itemize deductions. Each year bring the property tax bill and the mortgage interest statement to the tax appointment. Medical expenses are deductible if they exceed 10 percent of the adjusted gross income (AGI). Applicable medical expenses include: prescription drugs, doctor, dental, hospital bills, medical insurance premiums not paid on a pre-tax basis through the taxpayer's employer and the mileage to and from the doctor's office. Charitable contributions are a good source of deductions. Contributions can be cash, property or out-of-pocket expenses paid to do volunteer work. If the taxpayer drove to and from the volunteer work, they can take the actual cost of gas and oil or use the standard rate of 14 cents-per-mile. The taxpayer will need a receipt for any donation they claim.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as the sole source of authority. The National Association of Tax Professionals (NATP) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn more about NATP or to find a local, registered tax professional, visit www.natptax.com.

###

NATP is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. NATP is comprised of more than 23,000 leading tax professionals who believe in a superior standard of ethics and exemplify professional excellence. Members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The organization welcomes all tax professionals in their quest to continually meet the needs of the public, no matter where they are in their careers. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.