

Checklist to Help You File Your 2020 Tax Returns

Tax year 2020 isn't done until you file your returns in 2021! As we all know, the sooner you file, the sooner you'll receive your refund, if eligible. With the 2020 tax filing season underway, it is important to get organized early, in advance of the extended tax filing due date of May 17, 2021. This includes gathering any necessary tax documentation you'll require to successfully file complete and accurate returns, and may potentially include special steps related to Economic Impact Payments as a result of COVID-19.

✓ Review Last Year's Tax Returns

A good first step is reviewing your prior year's federal income and state tax returns. Reviewing these documents is critical, as you will be able to verify whether you have any carryovers which should be applied against your current-year federal income tax return. This may include capital loss carryovers (found on Schedule D), net operating loss carryovers (found on Schedule C), and/or charitable contribution carryovers (found on Schedule A). Additionally, if you overpaid the IRS in the previous tax year, Form 1040 will indicate whether you elected to receive a refund in that year or apply that overpayment amount against your following-year tax return. If the latter, you should remember to apply the overpayment credit from the prior year against your current-year tax liability.

✓ Gather Your Tax Documentation

You should look to aggregate key tax documents, such as the ones listed below, which are necessary to complete the filing process. Note that you may be receiving these documents from various sources.

IRS Forms:

- **Form W-2:** Income from employers
- **Form 1099-Misc:** Income if you are self-employed or worked as an independent contractor, and a business entity paid you \$600 or more in 2020. **Note:** *The business entity is required to provide you with a 1099 by January 31st, 2021.*
- **Form 1099-G:** State and local income tax refunds and/or state unemployment benefits
- **Form 1099-R:** IRA/pension distributions
- **Form SSA-1099:** Social security benefits
- **Form 1098-T:** Education tuition statement from the educational institution
- **Various Other Form 1099s, K-1s from Partnerships (e.g. MLPs) and Stock Option Information:** Annual investment income



Additional Documentation Noting:

- Charitable donations
- Any taxable alimony paid and/or received (applicable to divorces finalized before January 1, 2019)
- Home size, office size, home expenses and office expenses (among other criteria) if you utilized your home for business purposes and would like to apply for the home office expense deduction. **Note:** *There are restrictions regarding who can qualify to utilize the home office deduction. Employees of companies who have been working from home due to COVID-19 are not entitled to claim an itemized deduction for home office expenses.*
- Income and expenses related to rental property
- Other miscellaneous income (e.g. jury duty, gambling winnings, Medical Savings Account (MSA), scholarships, etc.)

✓ Consider Possible Deductible Expenses

Possible expenses that you may be eligible to deduct if you meet certain criteria include:

- State and local taxes (up to \$10,000, including property taxes)
- Retirement account contributions
- Charitable donations
- Education costs
- Medical bills
- Classroom expenses incurred by teachers (up to \$250 for an individual or \$500 if married filing jointly and both spouses are eligible educators)

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✓ Examine Potential Tax Credits

Another item you'll want to check off your list is reviewing potential tax credits, which are generally considered more valuable than deductions given that they provide dollar-for-dollar reductions of taxes owed. Some tax credits you should be aware of are the:

- **Recovery Rebate Credit:** Authorized by the CARES Act, this credit can be claimed on a 2020 Form 1040 or Form 1040-SR by any eligible individual who did not receive the full amount of the Economic Impact Payment. This may be applicable to taxpayers whose stimulus check was based on information from their 2018 income tax return. The IRS used the adjusted gross income (AGI) information in the latest return they had on file (2018 or 2019) to determine the amount of the stimulus payment for individuals. As a result, taxpayers who had not yet filed their 2019 income tax returns when this determination was made may be entitled to an increase if their 2018 AGI was substantially different from their 2019 AGI.

Generally, this credit will increase the amount of your tax refund or lower the amount of the tax you owe.

- **American Opportunity and Lifetime Learning Credit:** For qualified education expenses paid for an eligible student for the first four years of higher education. You can get a maximum annual credit of \$2,500 per eligible student.
- **Child Tax Credit:** Up to \$2,000 per child dependent
- **Adoption Credit:** If you have recently adopted a child, a nonrefundable tax credit is available for qualified adoption expenses

Please note that the above credits are subject to certain limitations and you will need to meet certain requirements in order to qualify.

As of February 2021

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