



## Welcome to 2020 Tax Season

First, we want to wish everyone a Happy Holidays and hope that you are staying safe and healthy. Before you know it, Tax Season will be back upon us as it seems to us it just ended. With the devastating Corona Virus shaking our world, we know it has affected some of you more than others and our thoughts and prayers are with all of you in these crazy times. As always, this year's newsletter will include information about our hours of operation and methods of communication as well as other useful tax information. For everyone that we have an email address for, you will receive this newsletter again early in the new year along with a checklist and an engagement letter for you to review and sign. Many will also receive the engagement letter through electronic form (possibly DocuSign or similar application) when we start your file for 2020.

Last year we had to adapt on the fly and conform to the new normal and our office went mostly digital. For the 2020 season we are preparing to do as much as we can digitally which can often be more efficient for everyone. I have finally set my retirement date from the US Postal Service as Sept 30, 2021. This could change as the Post Office goes through some much-publicized reorganization. Understand one thing about the Post Office, the new Postmaster General has not done anything that will delay mail, rig the election, or affect mail delivery for anyone in this great nation. They have started a process to realign the organization more efficiently and in doing that my current job as a Sr Financial Analyst may be changed, relocated, or eliminated. With all the publicity, the Postmaster General and upper management promised to delay any more changes until after the election and holiday season. That puts my position in limbo. With that said, I am not in danger of losing my job but if a monetary incentive is offered to retire early, I will take it. Otherwise, party time will be Sept 30, 2021.

For the 2020 tax season with Covid still rampant and a vaccine not expected to be fully implemented until closer to the middle of the year, digital will be our first option for those that are comfortable with a computer and drag-and-drop applications. We have a secure portal on our website, and we can create one for you if you prefer the digital

option for the first time this year. The next best option will be drop-off and there will be someone available in office almost any time of the day. For those that prefer not to leave the house and are at more risk than others, Sara will be offering pickup service for those in San Diego county. Call or text Sara for drop-off and/or pickup appointments. We will still be offering select in-person appointments if that is still how you would prefer.

If you have any questions about scheduling or how the tax laws and CARES act affect you specifically, do not hesitate to contact us. Email is often the best option to initiate contact.

**Call or email now to schedule your appointment!!**

## COVID and the CARES Act

The CARES (Coronavirus Aid, Relief, and Economic Security) Act was passed and affects all of us. The main element of the CARES Act provided a stimulus check for most all taxpayers. Many of you received \$1,200 (\$2,400 if Married) plus \$500 for each child under 17. Unfortunately, taxpayers did not receive additional stimulus for dependents 17 and over. Also, anyone that was claimed as a dependent of someone else did not receive a stimulus check (Specifically, those 17 and over) even if they did work and filed taxes. The stimulus checks were actually a 2020 tax credit, so for anyone that has not yet received the stimulus for some reason, it will be a credit on your 2020 tax return. Also, anyone that either did not qualify or received a reduced stimulus due to income limits, if your situation has changed and you would be eligible for more than received, you will receive that during 2020. On the bright side, if your situation changed and you no longer qualify for a stimulus but did get one, you will NOT have to pay it back. Also, if a dependent 17 and over in 2019(2018) is no longer a dependent in 2020 and files a tax return, then they should receive the stimulus credit in 2020.

The CARES Act also provides relief from qualified retirement plan distributions. For those that are required to make a required minimum distribution (RMD), they have been waived for 2020. No RMDs required in 2020 for anyone. Also for anyone that takes an early distribution (under 59 ½) from a qualified retirement plan (Up to \$100,000) and it can somehow be related to Covid-19, there will not be a 10% penalty added, they can spread the income evenly over a 3-year period, and they can pay back any or all of the distribution over the next 3 years and reduce/eliminate taxes. Covid-19 related means that you or a family member was diagnosed with Covid-19 or you experienced adverse financial consequences because of Covid-19. With work furloughs, teleworking, kids attending school from home, day cares closing, and many other consequences of this crazy time, it would be hard not to relate a distribution to Covid-19.

Another major provision of the CARES Act provided additional unemployment compensation for those out of work and even provided unemployment compensation for self-employed individuals/independent contractors. One thing to keep in mind, all Unemployment Compensation is fully taxable at the Federal Level. (California does not tax unemployment) If you did not have federal taxes withheld, be prepared as you might have a tax bill due to this income. Many of you are also self-employed or have a home-based business and received Paycheck Protection Program (PPP) loans or Economic Injury Disaster Loans (EIDL) as well as EIDL Grants. For those that received a PPP Loan, these loans may be forgiven but there are things to keep in mind. If you also received an EIDL Grant (\$1000 per employee) then this reduces the forgivable amount of the PPP. An example, if you received a \$10,000 PPP and a \$1,000 Grant, then the maximum forgivable amount is \$9,000. The other important thing to know and understand about the PPP, any expenses paid for with PPP forgiven funds will NOT be deductible. The EIDL Grant IS considered income to your business and expenses paid for with those funds ARE deductible. Finally, an EIDL is a loan and is not forgivable, must be paid back, and any expenses incurred are still deductible. These loans mostly are 30-year loans with first payment not even due until 1-year after you received the funds.

An additional benefit of the CARES Act is that taxpayers who take the standard deduction can get a deduction for up to \$300 in charitable donations made in cash. Please provide copy of checks, church giving statements, or any other proof of your charitable giving. Non-cash property and stocks do not qualify for this. Nothing has changed if you normally itemize deductions.

Many of you have been affected by CA AB-5 and Proposition 22 on this year's ballot. AB-5 was an Assembly Bill in California that created specific rules regarding employees vs. independent contractor. The main premise said that if you pay someone, they are your employee unless you can prove all three components of the ABC test.

- (A) The person is free from your control and direction in connection with their performance
- (B) The person performs work outside of your usual course of business
- (C) The person already engaged in an independently established trade, occupation, or business.

There are several professions that have exemptions to this bill, but Uber and Lyft were not included in the exemptions. This brought on Proposition 22 that will allow app-based drivers to continue to remain independent contractors in CA. If Prop 22 had not passed, its possible that Uber, Lyft and other similar companies would have pulled their business from California. Prop 22 did pass but this does not change any other aspect of AB-5 for anyone other than App-based drivers (Uber, Lyft, DoorDash, etc.)

## 260 Buena Creek Rd

Our office is still located on our property at 260 Buena Creek Rd in San Marcos. For those familiar with the location, we have gone all-out on holiday lights this year so drive by during the holidays if you get a chance. We have installed a new box/intercom at our gate that will allow us to open the gate electronically. If you arrive and the gate is not open, you can hit the call button, so we know you are here. There will also be times we will give you a temporary code that will allow you to open the gate when you arrive.

During the Tax Season, I am generally in the office all-day so for those still interested in a sit-down in-person appointment, call or email Sara for times and availability. On days I am working for the PO, appointments start at 4:00. As we get closer to Tax Day, availability will increase. We also have a few people that help during the tax season so it's possible you might receive email correspondence from Brett or Ryan to help coordinate the completion of your process. Here's to a Great 2021.

Stevan & Sara Kemp  
[www.stevanstaxservice.com](http://www.stevanstaxservice.com)

260 Buena Creek Rd  
San Marcos, CA 92069  
760-212-7413

Email: [Stevan@stevanstaxservice.com](mailto:Stevan@stevanstaxservice.com)  
[Sara@stevanstaxservice.com](mailto:Sara@stevanstaxservice.com)