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## **Tax Filing Season Is a Little Later This Year**

**What to know and dates to remember.**

Recently, the Internal Revenue Service (I.R.S.) announced that tax season will start a little later than usual. This year the I.R.S. will begin accepting and processing 2020 tax returns on Friday, February 12, 2021.<sup>1</sup>

Considering the December 27 tax law changes which brought a second round of Economic Impact Payments and other benefits to many, the I.R.S. will use this additional time to update, program, and test their systems.<sup>1</sup>

However, if you intend to work with a tax professional or use tax software, there is no need to wait. If you prepare your return now, not only will you have your taxes done and out of the way, but your filings will be transmitted to the I.R.S. starting February 12.<sup>1</sup>

Even with this new date in mind, your deadline to file is still April 15. To request an extension, make sure you do so by April 15. This may grant you until October 15 to file your 2020 tax returns. However, this is an extension for filing only. The I.R.S. still requires one to pay any taxes due by the original filing date of April 15.<sup>1</sup>

Filing one's tax returns can be a complicated and sometimes daunting process. It is never a bad idea to speak with a tax professional before filing or securing their services to file on your behalf.

This article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your tax-filing strategy.

March / April 2021

## **March 14, 2021 is Daylight Saving Time:**

So why do we move the clocks ahead in the spring and move them back in the fall?

The main purpose of Daylight-Saving Time (called "Summertime" in many places in the world) is to make better use of daylight. We change our clocks during the summer months to move an hour of daylight from the morning to the evening. According to some sources, DST saves energy.

Studies done by the U.S. Department of Transportation in 1975 showed that Daylight Saving Time trims the entire country's electricity usage by a small but significant amount, about one percent each day, because less electricity is used for lighting and appliances.

With daylight saving time that means Spring is right around the corner; the first day of Spring is March 20, 2021.

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**Our office and the markets will be closed on Friday April 2, 2021 in observance of Good Friday.**



**Happy Easter**



## 1099 Forms

Explaining the many types of 1099 forms and their uses.

**What is a 1099 form?** This is a record of payment from an individual or entity, showing a payment, generated for your records. The individual/entity sends a copy to both the payee as well as the I.R.S.<sup>1</sup>

**Who might be sending 1099s?** Clients send their contractors 1099s, recording work performed. Banks send 1099s to reflect interest from a savings account. A state may send a 1099 for a tax refund. If the financial institution who handles your retirement account writes you a check, they will also send you a 1099.<sup>1</sup> In any event, a 1099 includes the taxpayer identification number or Social Security Number of the payee. Receiving the 1099 does not automatically mean that the payee owes tax, as there could be situations that offset that income, but it means that the I.R.S. also has a record of that payment.<sup>1</sup>

There are many types of 1099 form. Here are a few of them:

**1099-A:** This form is a consequence of foreclosure or bank repossession of secured real property such as one's home if used for collateral for a loan, for example.<sup>1</sup>

**1099-B:** Brokers and barter exchanges report proceeds from securities, futures, commodities, or barter exchange transactions with a 1099-B.<sup>1</sup>

**1099-C:** The 1099-C reports debt cancellation. If you had at least \$600 of debt cancelled during the year. This includes the cancellation of debt you owe for a home, like in the case of foreclosure. This form is sent if the debt was cancelled by a bank, credit union, the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Resolution Trust Corporation (RTC), another lender or financial institution, the federal government, a department of the U.S. military, the U.S. Postal Service (USPS), or the Postal Rate Commission.<sup>1</sup>

**1099-CAP:** The 1099-CAP goes to shareholders who received at least \$1,000 as cash, stock, or other property due to an acquisition of control or a substantial change in the capital structure of a corporation.<sup>1</sup>

**1099-DIV:** When you receive dividends, capital gain distributions, or liquidation distributions, you get one of these.

For example, when a mutual fund sells off funds and realizes a capital gain, the fund informs you of your share of the capital gain through a 1099-DIV.<sup>1</sup>

**1099-G:** A 1099-G is used to report \$10 or more of unemployment compensation, tax refunds you got from state and local governments, agricultural payments, or taxable grants you received.<sup>1</sup>

**1099-H:** Your health insurance provider would send you a 1099-H if you had any portion of your health insurance premiums paid with advance payments from the health coverage tax credit (HCTC).<sup>1</sup>

**1099-INT:** This form reports interest income of \$10 or more, and sometimes other tax items related to interest income.<sup>1</sup>

**1099-LTC:** This form reports distributions from extended care insurance contracts and accelerated death benefits paid out because of a life insurance contract or a viatical settlement.<sup>1</sup>

**1099-MISC:** This category includes "miscellaneous income," including awards and prizes.<sup>1</sup>

**1099-OID:** The 1099-OID reports the difference between the stated redemption price of a bond at maturity and the issue price of that bond.<sup>1</sup>

**1099-PATR:** This form reports patronage dividends, such as in a farm cooperative.<sup>1</sup>

**1099-Q:** Have you been paying for school expenses from a 529 plan or a similar savings plan? Withdrawals will be reported on this form.<sup>1</sup>

**1099-R:** The 1099-R reports distributions from all types of retirement, pension, and profit-sharing plans as well as any IRA or annuity contract.<sup>1</sup>

**1099-S:** The 1099-S reports gross proceeds from real estate transactions or exchanges.<sup>1</sup>

**1099-SA:** This form reports distributions from Health Savings Accounts (HSA), Archer Medical Savings Accounts (Archer MSA), or Medicare Advantage Medical Savings Accounts (MA MSA).<sup>1</sup>

**Questions?** Be sure to talk with a qualified tax professional or qualified financial professional today; they can help you generate, request, and understand any of the above 1099 forms in question.

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