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SIGNIFICANT CHANGES TAX CLIENTS NEED TO BE AWARE OF:

- Charity for Non-Itemizers Max \$600 per return, you MUST provide documentation for proof of giving
- EIC Credits have doubled this year
- Dependent Care - \$10,500 on Cafeteria Plan MAX or Credit Care credit on tax return of 50% on \$8,000 per child with a MAX of \$16,000
- IRA Early Withdrawal Penalty - No special waiver for "Covid" this year-MUST take RMD
- Stimulus Checks - You MUST provide us with what you received for 3rd payment. It is REQUIRED as a match on your 2021 tax return (Max amount per person was \$1400)
- Tuition Deduction expired 12/31/2020, but there is an increased Lifetime Learning Credit
- 100% Bonus Depreciation starts phasing out 1/1/2023
- Increased Standard Deduction and Elimination of Person Exemptions will end 12/31/2025
- QBI 20% Deduction ENDS 12/31/2025
- IRS will be sending Letter #6419 regarding how much Advance Child Tax Credit Payment you have received, we WILL NEED that **letter** and **amount** to reconcile your 2021 tax return

- Meals Deduction Short Term Changes
Here are some scenarios:
 - Quiet Business Meals with Clients present are 100% deductible
 - Meals Before or After entertainment, separate bill is 100% deductible
 - Business Per Diems are 50% deductible
 - Meals on premises for employer convenience are 50% deductible
 - ***** Entertainment is NOT DEDUCTIBLE!*****

- FOREIGN ACCOUNTS
 - ALL foreign accounts MUST BE REPORTED! There are very stiff penalties for failure to report!
 - If you have virtual currency and/or wallets, they may be part of foreign accounting reporting and once again there will be stiff penalties for failure to report!
 - Penalties of Foreign reporting and/or Virtual Currency start at \$10,000 (account value) and above!! When in doubt, report it, so you can avoid any potential penalties as IRS does NOT waive these penalties. The IRS penalty is a minimum of \$500 and/or 50% of the account value, up to \$100,000 per account.
 - The Foreign Transactions & Virtual Currency will result in the filing of these additional forms:
-Form 8949, Schedule C, Schedule B, 1040 Schedule 1, Fin Cin 114, Form 8938 and Form 1116.
****This can result in significant preparation fees for additional work and forms**

- Clients **MUST** report ALL transactions of sale, exchange, trade, payment of fees (ie-buy Starbucks coffee) of their tax return. Since this is the case, clients **MUST** use a software program to track all costs per transaction on sale (ie-Cointracker, Zenledger), for this, as it will be impossible to correctly report without this. The virtual currency wallets at this time, do not track costs like your investment broker accounts, as they are required. That is why this is the client responsibility.
 - In IRS Notice 2014-2021, which deals with virtual currency transactions. The Notice made clear that virtual currencies are to be treated as property under the income tax code. Therefore all sales, exchanges, redemptions, and transactions involving ALL virtual currencies are TAXABLE. The IRS is taking a harsh position on taxpayers who are NOT reporting virtual currency. IRS can charge interest, penalties, fraud, and tax evasion on this issue and there is no statute of limitations for income that is not reported on a taxpayers timely filed return.
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- **2021 has over 10,000 pages of Tax Bill Code changes for this year regarding tax returns.**

Your friends at SCHEIBE ACCOUNTING LLP