



# Biz Hippo

## **Personal Tax Seminar 2020 Tax Year**

Making your way through your personal tax return

**Materials available at:**

**[www.bizhippo.com/2020taxes](http://www.bizhippo.com/2020taxes)**

# 4 Tips:

- 1. Understand the Basic Vocabulary**
- 2. Use Tax Software**
- 3. Use Resources ([www.irs.gov](http://www.irs.gov))**
- 4. Ignore extraneous information**

# Taxes- When are they due this year?

- June 15, 2021 for Texas (May 17 for everyone else)
- Can file Form 4868 to request a six-month extension to December 15.
- What do you put on the form for amount owed? Whatever you feel is appropriate. Or zero if you have no idea.

# Individual Taxes

# Basic Principle of Individual Taxes

- All Income is taxable unless specifically exempted (child support, some unemployment benefits)
- Nothing is deductible unless specifically allowed (home mortgage interest, real estate taxes on Schedule A)

# Where does Income go?

Income Type	Where to Report
Wages reported on W-2	1040, Line 1
Interest reported on 1099-Int	1040, Line 2b
Dividends reported on 1099-Div	1040, Line 3b
Capital Gains reported on 1099-Div	1040, Line 7
Other Income reported on 1099-NEC	1040, Schedule C, Part I Line 1

# Where do Personal Deductions go?

Only matters if deductions exceed standard deduction of \$12,400 single, \$24,800 married filing jointly.

Deduction Type	Where to Report
Medical expenses if greater than 7.5% of AGI	Schedule A, Line 1-4
Taxes- real estate and sales limited to \$10,000	Schedule A, Line 5-7
Home Mortgage Interest reported on Form 1098	Schedule A, Line 8-10
Charitable Gifts- in 2020 can still take \$300 in cash contributions even if not itemizing.	Schedule A, Line 11-14
Casualty & Theft Losses	Schedule A, Line 15



# Do You know your Filing Status?

- Single
- Married, Filing Jointly
- Married, Filing Separately- usually costs more in taxes. Only used in special circumstances.
- Head of Household- unmarried at year-end, paid for 50% of keeping a house, and have a “qualifying person” living with you more than ½ the year.

# Economic Stimulus Payments

- On Form 1040, Line 30, enter all stimulus payments received in 2020 and early 2021. If you were not eligible to receive the full amount, but your 2020 tax return makes you eligible, you will receive a credit for the difference.

# Business Taxes

# Basic Principle of Business Taxes

- All Income is taxable unless specifically exempted (PPP Loan Forgiveness)
- All Expenses are deductible unless specifically exempted. Business expenses are defined as “ordinary and necessary”.

# How to File Business Taxes

- Most of you are either a single-member LLC or a sole proprietor. Both file on Schedule C with your individual return.
- Most businesses are **cash basis taxpayers**. (Taxes are only paid on transactions after money has changed hands.)
- Your LLC is considered a **pass-through entity** (Business pays no tax, the income passes through to the individual owner and they pay the tax.)
- Your single-member LLC is considered a **disregarded entity** (doesn't need to file a separate tax return like most business entities)

# Do I “Materially Participate” in my Business?

- For 99.9% of you, yes.
- This really only applies to people who have invested in a business but don't actually participate in it.

# What Can I Deduct?

- Any of your food and material costs are deducted as Cost of Goods Sold (Schedule C, Part III)
- Any costs you incur because of your business- cell phone, equipment rental, utilities, advertising (Schedule C, Part II)
- Auto Mileage- 57.5 cents per mile, plus tolls and parking (must be documented in a mileage log)
- Business use of your home (Form 8829- determined by square footage devoted to business)

# Do I Have Receipts to Claim a Deduction?

- Technically, no. The IRS does not require you to provide documentation of a deduction when you file a return.
- However, if you are ever audited, the IRS will request a receipt and proof it was paid by either a bank or credit card statement. If you cannot provide the documentation, they will disallow the deduction and you will owe tax.



# Do I Only Claim the Income on my 1099's?

- No. The IRS expects your Income number to meet or exceed the amount reported on 1099s. The IRS has many ways to check the validity of your income number, including merchant and bank statements.

# Paying Taxes

# What If I Can't Pay What I Owe?

- File your return paying what you can
- Apply for an Online Payment Plan  
<https://www.irs.gov/payments/online-payment-agreement-application>
- If you tax owed is less than \$50,000, you may qualify to pay in monthly installments over a number of years.

# Paying Estimated Taxes for 2021

- The IRS expects you to pay “estimates” prior to filing your return.
- If you receive wages, your tax withholding is your estimate.
- If you run a business or are a contractor, you need to estimate and pay taxes quarterly: April 15, July 15, October 15 and January 15.
- To avoid penalties, your estimates need to be either 100% of prior year taxes (if greater than \$0) or 90% of current year taxes.
- Get an **EFTPS** account to pay your estimates. Takes about two weeks to set up as IRS will mail you a PIN number.