

**Tax Information Organizer – Tax Year 2020**

This Tax Information Organizer is designed to provide clients of Martin & Associates, Ltd. with a comprehensive checklist of items needed to properly prepare individual income tax returns. This includes helping you identify questions and organize documentation. Please check the items that apply to you, gather the associated documents, and then contact us. If you are a prior year client, we can also send you a computer-generated tax organizer prepopulated with prior year amounts and blanks to fill in new numbers. To obtain that, email Dana@MartinLtd.com

**Privacy Policy:** All data collected is exclusively for the purpose of preparation of your tax returns and will be safeguarded. As per AICPA Code of Professional Conduct, all information provided by clients is strictly confidential.

**Data Security:** In order to protect confidential data and personal identifying information, we utilize various commercial off the shelf data encryption and file transfer solutions. Our preferred file format is PDF. You can password encrypt PDFs. We also use WinZip which allows for encryption. For those seeking more robust encryption, we have standardized around MEO, which is free, easy to use, and has versions for both MAC and Windows. MEO software can be downloaded for free at: <http://www.nchsoftware.com/encrypt/index.html>

We also encourage use of Dropbox. You can share folders to Dana@MartinLtd.com in lieu of emailing documents.

**Electronic Filing:** Electronic filing of tax returns is mandatory unless you complete an e-File rejection form citing specific error codes. We will securely send you a PDF of your tax return to review and approve and will only e-File after receiving your signed e-File authorization forms. Payment is required prior to e-Filing.

**Contacting Us**

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At Martin & Associates, Ltd, we are dedicated to serving your needs. If you have a quick question, e-mail is the best way to get a faster response. For anything other than a very quick question, it is best to e-mail us the question and suggest a convenient time for a meeting for a proper consultation.

If, for some reason, a fee will be necessary, we will advise you ahead of time and ask for your approval of the proposed budget for the research required.

We appreciate your business and your referrals.

**Personal Information**

 **Name(s) & Social Security Number(s):**

 **Occupation(s):**

 **Date(s) of Birth:** Certain tax deductions are based on age. Thus, it is prudent to have your date of birth when preparing your tax returns.

 **Driver’s License Information:** The IRS and many states recommend we include your driver’s license information with e-File transmission as part of taxpayer identity verification. Some states mandate this and potentially subject you to identity verification before approving refunds. Please provide us:

* State of Issuance
* Issue Date
* Expiration Date
* Driver’s License Number

If you are filing a New York state return, there are additional codes requiring us to obtain a picture of front and back.

 **E-Mail Address:** We actively try to provide clients with useful information during the year via e-mail, including tax updates and planning opportunities. This information will not be sold or otherwise distributed. Please print neatly.

 **Telephone:** We need to comprehensively update our telephone contacts for all clients as over 26 years in business cellular phones have replaced land lines.

 **Direct Deposit of Refund:** If you wish the IRS to send your refund by electronic funds transfer, please provide a copy of a check, or supply your account number and your bank’s routing number. Please note that deposit tickets do not contain proper bank routing numbers.

 **Address Change:** If you moved in 2020, please provide your new contact information and dates of move if triggering multistate filing.

 **State Residency:** If your state residency changed during the year, please provide dates of residency for each state.

 **Presidential Election Fund:** $3.00 contribution to, YES \_\_\_\_\_ NO \_\_\_\_\_\_. This does not increase or decrease your tax liability.

 **Last Year’s Tax Return:** If we did **not** prepare your taxes last year, please provide a copy of your prior year federal and state income tax returns.

 **Change in Filing Status and/or # of Dependents in 2020?** (Married, divorced, change in dependents, etc.)

 **Dependents:** Please provide the name, date of birth, and social security number of each dependent and their relationship to you.

Estimated Taxes Information

**Estimated Tax Payments Made:** Please provide the amount and date(s) of payment(s) for the 2020 tax year (including payments in January 2021 for 2020 taxes). **Please separate payments made to federal and state jurisdictions.** We recommend clients who make regular quarterly estimated payments sign up for IRS Electronic Federal Tax Payment System (EFTPS) at <https://www.irs.gov/payments/eftps-the-electronic-federal-tax-payment-system>

**Estimated Tax Payments in Projection for 2021:** Do you want us to prepare estimated tax payment vouchers for tax year 2021? YES \_\_\_\_\_ NO \_\_\_\_\_\_. If you are self-employed, or receive significant income from a source not withholding taxes, it is advisable to consult with us on making estimated taxes payments or adjusting withholding from wages (if that applies). If yes, please base estimated tax payments on an estimated adjusted gross income for 2021 of:

$\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Income Information**

 **W-2 Statements from Employer(s):** Please provide all W-2s.

 **Interest (Schedule B):** Please include all 1099-INT, 1099-OID or any other statement showing interest or dividends. Some banks, mutual funds, and brokers combine the 1099 with your end of the year statement.

 **Virtual Currency Transaction Checkbox:** There is a new required Yes/No check box that asks “At any time during 2020, did you receive, sell or otherwise acquire any financial interest in any virtual currency?" This question is being elevated to the main part of the return and you are subject to a penalty for perjury for an incorrect answer. The IRS is seeking to locate people who are not reporting gains on virtual currency sales.

 **Virtual Currency/Cryptocurrency Sales:** The IRS considers sale of cryptocurrency like Bitcoin sale of property and taxes it as a capital gain. Technically, every time you spend Bitcoin or similar cryptocurrencies for goods and services you are creating a sale. For example, if you have a Coinbase account and a Swift Card attached, every time you buy something, the federal government considers it a sale subject to capital gains. This is a reporting nightmare. Do your best to organize your account info for reporting of sales.

 **Foreign Bank Account Reporting (FBAR) –** Please check this box if you have a foreign bank account or accounts (or any investment accounts) and indicate what country or countries they are located in and their highest account balances during the year. Please provide account number(s), bank name(s) and addresses. Additionally, form FinCEN 114 must be completed if balance exceeds $10,000 USD. If under $10,000, only checkbox disclosure is required on Schedule B.

 **Investments & Dividends (Schedule D):** Please include your 1099-Bs and 1099-DIV and a copy of your year-end mutual fund(s) and/or brokerage account statement(s) for non-retirement accounts. The 1099-B should contain an itemized list of securities sales with gross proceeds, cost basis, purchase date and sale date. If you sold any business property or non-public securities or assets, please our **Schedule D Worksheet** provided as an appendix to this tax organizer to help you calculate capital gains and losses on non-reported transactions.

 **Rental Income (Schedule E):** If you receive income from the rental of real property, please summarize income, expenses and capital improvements in accordance with the attached
**Schedule E Worksheet**. Major expense categories are mortgage interest, real estate taxes, condo or association fees, repairs, yard maintenance, insurance and advertising for tenant. Please provide form 1098 showing mortgage interest and real estate taxes. Also, please provide a settlement sheet for the property if you have not already done so. Please note that the District of Columbia has a separate **Unincorporated Business Franchise Tax Form (Form D-30)** that applies if your gross rents received are $12,001 or greater.

 **State Tax Refund:** If you received any state tax refunds, please provide the 1099-G and a copy of your prior year federal and state income tax returns.

**Self Employment (Schedule C):** Please provide a summary of your income, business expenses, equipment purchases for the business, information on home office deduction (if applicable), business use of vehicle (if applicable) and health insurance premiums (if applicable) in accordance with the attached worksheet. We will assist you in accounting for all your expenses and placing them in the proper categories. See our **Schedule C Worksheet** attached to this tax organizer. Additionally, please note the District of Columbia has an Unincorporated Business Franchise Tax Form (D-30) that may apply. If you provide a service and perform 80 percent or more of the work yourself, and capital is not a material contributor to your business, you meet the exemption from filing.

**Social Security or Disability Benefits:** If you received social security or disability benefits, please provide the annual statement from the Social Security Administration.

**Retirement Benefits:** If you received pension or other retirement benefits, including early distributions, please include the 1099-R. Early withdrawals from IRAs (except for rollovers) are taxable in the year of distribution. If the distribution was related to a COVID illness, please let us know (not subject to the penalties). Also, IF (rules still being written) your distribution qualifies for taxation over 3 years and you wish this election, please let us know. You might be able to pay taxes on a distribution spread out over 3 years to lower the tax hit in each year.

**Sale of Residence:** Did you sell your principal residence during 2020? To qualify for $250,000 capital gain exclusion ($500,000 if two owners), you must own the home and have used it as your principal residence for 5 of the last 8 years (purchased prior to 1/1/2018 are grandfathered at 2 of the last 5 years). If audited on this point be prepared to produce driver’s license and voter registration for proof of residency.

If your residence was previously a rental property or second home, complex proration formulas apply. If you rent a portion of your home, the sale is reported like two separate sales, one for residence portion to claim exemption and one for rental portion which is subject to capital gains tax and depreciation recapture.

**Cancellation of Debt:** If a creditor cancelled a debt you owed in excess of $600, foreclosed on real property you owned, or you abandoned a secured property interest, you may have income. Please include any 1099-A, *Acquisition or Abandonment of Secured Property*, or 1099-C, *Cancelation of Debt*, that you received.

**Other Income?**

**Retirement Fund Information**

Please provide the annual statements for all retirement funds and tax-deferred annuities where there were **contributions or withdrawals**. Also please review the questions below and fill in all applicable items.

 **Roth IRA Contribution:** Roth IRA is a tax free savings vehicle where you can contribution after-tax dollars within limits and withdraw tax free once you reach retirement age. Please provide any Roth IRA contributions made for the current tax year. Please note once you exceed certain income limits contributions are disallowed.

**Conversion to Roth IRA:** If you converted a traditional IRA into a Roth IRA in 2020, this is treated as an early withdrawal of funds and is subject to income tax but not early withdrawal penalty. Please provide us the 1099-R. Additionally, special rules apply to conversion of nondeductible contributions to a traditional IRA into a Roth IRA required detailed basis calculations.

****Did you **contribute any funds** to a traditional IRA or a SEP/IRA, or other type of deductible retirement plan (exclude tax free rollovers) for the tax year 2020? (This could include contributions prior to April 15, 2021 designated as 2020 contributions).

****Did you **withdraw any funds** from a traditional IRA, a Roth IRA, a SEP, a 401(k), a 403(b), nondeductible contributions to a traditional IRA, or other type of retirement plan (exclude tax free rollovers)? Please include all 1099-Rs received.

****Did you **borrow any funds** from a traditional IRA, a Roth IRA, a SEP, a 401(k), a 403(b), nondeductible contributions to a traditional IRA, or other type of retirement plan (exclude tax free rollovers)? Were those funds paid back prior to the penalty period (this “indirect rollover” process is only allowed once per year)?

**Credits, Adjustments & Itemized Deductions**

**Home mortgage interest, real estate taxes, points, closing costs:** Please provide a form 1098 for each property. The 1098 now includes additional reportable information beyond the mortgage interest, such as the unpaid principal balance. If you purchased and/or sold any properties, please provide the settlement sheet for the applicable properties.

**Charitable Contributions:** For all charitable contributions, please provide the name of the organization, whether the contribution was cash or other items (such as clothing and household items) and receipts, if possible. Non-cash contributions of $500 or more require additional documentation. Non-cash contributions of $5,000 or more require a written appraisal from a professional appraiser. Auto donations require special paperwork. Please note there is a new $300 (same for single, HOH or MFJ, but reduced to $150 for married filing separately) “above the line” deduction allowable for cash contributions only for those who claim the standard deduction. If you are over 70 ½ , you are eligible to make **Qualified Charitable Distributions** up to $100,000 from your IRA to a qualified charity. This moves your charitable donation out of itemized deductions and into adjustments to income, thus it is ideal for those who do not itemize. The 1099-Rs do not cleanly report a QCD so you need to inform us.

**State Income Taxes Paid:** Please provide a copy of last year’s state and federal tax returns so we can determine if any state taxes paid for prior year liabilities are deductible in the current year. Please note 2018 tax law changes limit or eliminate deductibility of state and local taxes to $10,000 for single, head of household or married filing jointly and $5,000 for married filing separately.

**Sales Taxes Paid:** Taxpayers have the option to claim sales taxes paid as an itemized deduction instead of state income taxes paid. Only one or the other can be claimed. For most taxpayers, the sales tax deduction will be determined by a table based on your income. However, it you had any big ticket purchases incurring sales tax, you may be able to provide evidence of a higher deduction. This is subject to same $10,000 limitation as other state and local taxes.

**Sales Taxes Paid on Automobiles:** An additional standard/itemized deduction is available to taxpayers for the sales and excise taxes paid on the first $49,500 of an automobile. Also subject to the $10,000 limitation as other state and local taxes.

**Unreimbursed Medical & Dental Expenses:** If you had a significant amount of medical or dental expenses that were not covered by insurance or paid by another party, you may be entitled to a tax deduction. Travel to and from a medical facility may be deductible (mileage, parking and tolls). Please provide documentation of expenses and discuss the issue with us. To claim, expenses must exceed 7.5% of AGI (tax extender made this permanent and nullified planned move to 10%).

**Unreimbursed Employee Business Expenses (Form 2106) NO LONGER APPLICABLE:** This deduction has been suspended from 2018-2025. Your best option is to work with your employer to provide an expense account with they claim those expenses and reimburse you.

**Energy Credits:** Have you made any improvements to your primary residence related to energy efficient equipment or energy conservation? If so, you may be able to claim the *Nonbusiness Energy Property Credit* or the *Residential Energy Property Credit*. These credits cover improvements such as windows, doors, and skylights, as well as home heating, solar energy, and geothermal equipment. Please detail your expenditures and inquire about how to maximize your deductions. The credits are extremely limited. Please note if you have claimed any energy credits previously as your credit this year might be limited or not allowable. The Qualified Plug-In Electric Drive Motor Vehicle Tax Credit is a maximum of $3,750 for vehicles delivered January 1 – June 30, 2020 and $1,875 for vehicles delivered July 1 – December 31, 2020. Please provide us bill of sale for electric vehicle purchases. Certain vehicle make and models have exceeded their limits and are no longer deductible.

**Child Care Expenses:** If you pay for childcare, you may be entitled to the Child and Dependent Care Credit (not to be confused with the Child Tax Credit) depending on your filing status, AGI, amounts paid, and other factors. Please provide details of childcare expenses. **Important: In order to claim the childcare credit, we must have the name, address and federal tax identification number of the childcare provider.**

**Household Employee (Schedule H):** Please note that if you employ domestic help, such as individuals providing childcare or cleaning services, you may be subject to additional tax and filing requirements as a household employer. Please indicate how much was paid, on a quarterly basis, and please provide your Employer Identification number along with any state registration account numbers.

**Moving Expenses:** Deduction was eliminated effective January 1, 2018.

**Education Expenses:** Taxpayers may deduct educational expenses (tuition) as an adjustment to gross income or claim a tax credit and are subject to income limitations. Please list any tuition or other educational expenses paid for by you in 2020. We will optimize the choice automatically for you.

**Student Loan Interest:** Eligible student loan interest up to $2,500 per year is tax deductible but your modified adjusted gross income (before total “phase-out” occurs) must be below $70,000 for single or $140,000 for married filing jointly to qualify. You cannot deduct if someone else is claiming you as a dependent.

 **Affordable Care Act Premium Tax Credit:** If you purchase health insurance through an approved health insurance exchange, you are receiving a subsidy that must be reconciled. Please provide us your Form 1095-A Health Insurance Marketplace Statement so we can complete Form 8962 Premium Tax Credit. If married and paying one premium for two people, we need to break up premium by taxpayer and spouse.

**Compliance with Mandatory Reporting**

The IRS levies huge penalties for non-filers of certain informational returns.

**Issuing Required 1099s**

If you paid an individual or unincorporated entity (including LLCs) over $600 and plan to deduct those costs as a business expense, you will need to issue that person a Form 1099 and then file copies of 1099s with the federal government. You do NOT need to issue a 1099 to an entity that is a corporation. You should obtain a W-9 from any large vendors where they provide you their taxpayer name, EIN or SSN and declare whether they are corporation, individual or unincorporated entity. If you receive credit card payments, your payment processor will send you a 1099-K which we need to ensure revenues are reported correctly.

**Foreign Account, Asset and Transaction Reporting**

 **Foreign Bank Account (FinCen 114):** Did you have an interest in or signatory authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? If so, you may be required to file form FinCen 114 with the Department of the Treasury and or Form 8938. Please note that this is also asked under Interest Income above. Please be sure to alert us if you are in this situation given the major potential penalties for non reporting.

 **Foreign Assets (Form 8938 Statement of Specified Foreign Assets):** This form provides trigger thresholds for reporting cash, securities and small business holdings in foreign countries. Directly owning real estate generally would not trigger reporting unless held through a business entity.

 **Ownership/Transactions with Foreign Corporation (Form 5471 Information Return of U.S. Persons with Respect to Certain Foreign Corporations):** If you own 10% or more of a foreign corporation, you need to complete the equivalent of a tax return for that entity and submit it with your personal tax return.

r **Transfer of Property to a Foreign Corporation (Form 926 Return by a U.S. Transferor of Property to a Foreign Corporation):** If you transferred funds to a foreign corporation causing you to own 10% or more, or the transfer exceeded $100,000, then you are required to complete this tax form.

 **Transactions with Foreign Trusts and Receipts of Foreign Gifts (Form 3520):** If you received funds from a Foreign Trusts or gifts of money or other property from an individual who is not a resident of the United States, you may be required to report this to the IRS. Such gifts are reported on an informational return, not a tax return, and are not taxable.

**COVID-19 RELIEF PROVISIONS**

The CARES Act, Consolidated Appropriations Act and related legislation created a variety of tax law changes. Below is information most relevant to most taxpayers.

r **Did you receive an economic impact payment (aka stimulus check from CARES Act)? If so, how much? You may qualify retroactively based on your 2020 return.**

r **Did you receive a Paycheck Protection Program Loan? If so, what entity (separate business entity or your Schedule C business or Schedule E rental).**

r **Did you receive an Economic Injury Disaster Loan advance payment/grant and/or loan? If so, what entity (separate business entity or your Schedule C business or Schedule E rental).**

r **Are you self employed and lost ability to work due to COVID-19?** Form 7202 Credits for Sick Leave and Family Leave for Certain Self Employed Individuals allows qualified persons to claim a tax credit for lost work days due to COVID-19, capped at $510 per day for 10 days. We need to know number of lost work days. Please see IRS press release: [New IRS form available for self-employed individuals to claim COVID-19 sick and family leave tax credits under FFCRA | Internal Revenue Service](https://www.irs.gov/newsroom/new-irs-form-available-for-self-employed-individuals-to-claim-covid-19-sick-and-family-leave-tax-credits-under-ffcra)

r **Did you pay wages to someone while they had COVID or you were forced to shutdown by government order?** There are two new employer tax credits that are claimed on Form 941 quarterly payroll tax filing, not income tax filing, so you will need to work with your payroll processor to claim them:

**Credit for Sick and Family Leave**

**Employee Retention Credit**

https://www.irs.gov/coronavirus/new-employer-tax-credits

**Copy of Prior Year Return if We Did Not Prepare**

Prior year federal and state tax returns are very informative to us if we did not prepare them. In additional to personal identifying information and sources of income and deductions, we look for carryforward information to your current year return, including but not limited to:

Depreciation of assets purchased in prior years

Capital losses subject to the $3,000 limitation against active income per year

Alternative Minimum Tax

Passive activity loss limitations

Tax credits not fully used in prior years

Other carryforwards

**Other Concerns**

Please feel free to talk to us about any other information relevant to your taxes.

**Tax Planning**

It is never too early to start planning a strategy to minimize your future taxes. Please note any significant plans, such as the purchase or sale of real estate, the sale of large blocks of stock, change of employment, marriage, and other material events. There will likely be substantial tax law change that we are tracking and will write about once law.

**Technical Assistance for Specific Tax Areas and Schedules**

At the end of this tax organizer there is a series of worksheets to help you tabulate your income and expenses.

 Self-Employment Schedule C Worksheet

 Capital Gains & Losses Schedule D Worksheet

 Rental Property Schedule E Worksheet

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**Schedule C Worksheet (Self-Employment)**

Name of Business: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Type of Business: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Address of Business: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| --- | --- |
| Total Revenue (1099s plus other revenue) | $ |
| Returns & allowances (refunds to customers) | $ |
| Cost of goods sold (most service providers do not use COGS) | $ |

\*COGS is direct production costs, such as building materials for a carpenter. Wholesalers and retailers have a more complicated calculation related to goods available for resale.

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| **EXPENSE CATEGORY** | **AMOUNT** | **COMMENTS** |
| Advertising |  |  |
| Commissions |  |  |
| Employee benefits |  |  |
| Insurance other than health |  |  |
| Interest payments |  |  |
| Legal & professional services |  |  |
| Office expense (i.e. rent) |  |  |
| Rent/lease equipment or vehicles |  |  |
| Repairs & maintenance |  |  |
| Supplies (generally anything below $500) |  |  |
| Taxes (not income or sales) and license fees |  |  |
| Travel & Lodging |  |  |
| Meals and entertainment |  |  |
| Utilities |  |  |
| Wages |  |  |
| Telephone (local, long distance, cell) |  |  |
| Postage & Delivery (U.S. mail, overnight delivery, couriers) |  |  |
| Professional reference materials (books, magazines, training materials, etc.) |  |  |
| Professional membership dues |  |  |
| Continuing professional education |  |  |
| On-Line Services (e.g. Internet access) |  |  |
| Other expenses? |  |  |

Special cost categories on following page.

**Schedule C Worksheet (Continued)**

Special Cost Categories

Special rules apply to equipment purchases, health insurance premiums, vehicle expenses and home office deductions. Please list equipment purchases (date of purchase, purchase price, description of equipment), health insurance premiums, vehicle expenses (two methods, mileage vs. actual expenses) and home office deductions (total square footage, itemized costs, and portion of house, as a percent of total square footage, that is used for business purposes) on a separate sheet. These items will be discussed at our meeting.

Prohibition on Payment of Wages to Owners

Internal Revenue Service Circular E specifically prohibits a sole proprietor or owner of an LLC from paying themselves wages. All withdrawals are considered withdrawals of owners’ capital, which do not count as expenses.

**Did you issue any 1099s to any contractors?**

Bookkeeping Tips

Using an accounting software program, such as QuickBooksPro, is an easy way to track revenues and expenses. However, if you are unfamiliar with those programs, a more basic approach is a 14-column spreadsheet that tracks expense by category and month, and totals at the end.

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|  | Jan | Feb | Mar | Apr | May  | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Tot |
| Rent |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Supplies |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Etc |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Tot | Tot | Tot | Tot | Tot | Tot | Tot | Tot | Tot | Tot | Tot | Tot | Tot |

State & Local Business Taxes & Registration Fees

Please note certain jurisdictions have local business taxes. For example, counties in Northern Virginia levy a gross receipts tax, which is a percentage tax on your gross revenue. Most jurisdictions, including Clark County, NV, have business licenses registration requirements that include any fees. Clark County also levies a flat tax per employee. For example, we pay $300 per employee per year for all Las Vegas employees deemed “professionals.” This is different from the Modified Business Tax in Nevada that is a payroll tax based on a percentage of total payroll. Please feel free to discuss these issues with us.

**Sales and use taxes** are an entirely different issue that varies widely from jurisdiction to jurisdiction. Some tax products only, others include certain services. The District of Columbia has a fairly complicated set of rules concerning which services are subject to sales and use tax.

**Sch. D - Capital Gains & Losses Worksheet**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date of Purchase | Date of Sale | Description of Security or Business Property Sold | Cost Basis | Proceeds(Sale Price) |
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Sale of Business Property typically applies to a hard asset such as real estate or tangible property or intangible (such as a client list). These transactions are reported on Form 4797 and flow into Schedule D. If you sold a rental property, we will want copies of settlement sheet for sale and purchase.

Section 1244 is a provision that allows for writing off capital losses in full against ordinary income if a domestic small business engaged in an active trader business (i.e. not investing activity). There are numerous rules that apply but if you sold an interest in a small business let’s discuss the details.

Section 1202 is a provision that allows for reduced capital gains tax on sale of qualified small business stock. Many rules and conditions apply. If you have a gain from sale of small business stock, let’s discuss.

**Schedule E Worksheet (Rental Property)**

Type of Property: (Residential rental, duplex, commercial bldg, etc.): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Do you occupy any of the property? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Address of Property: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Total Rent Received (include copies of 1099s received): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Did you issue any 1099s to any Contractors?\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Number of Days Rented (if all year write in “365”. Ok to Estimate if less)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| --- | --- | --- |
| **EXPENSE CATEGORY** | **DIRECT EXPENSE** | **INDIRECT EXPENSE** |
| Advertising |  |  |
| Cleaning & maintenance |  |  |
| Commissions |  |  |
| Insurance (property and PMI) |  |  |
| Legal & professional fees |  |  |
| Management fees |  |  |
| Mortgage interest paid to banks |  |  |
| Other interest |  |  |
| Repairs (not capital improvements) |  |  |
| Supplies (not equipment or improvements) |  |  |
| Taxes (e.g. real estate taxes) |  |  |
| Utilities |  |  |
| Condo or association fees |  |  |
| Pest control |  |  |
| Telephone |  |  |
| Other expenses? |  |  |

**Direct vs. Indirect Expenses**

If 100% of the property is rented, then list expenses as direct expenses. If the property is split between rental and non-rental portion, then all expenses directly attributable to the rental portion (like fixing a tenant’s bathroom) are direct expenses, and other expenses, like mortgage interest and real estate taxes, or indirect expenses that the software will allocate between Schedule E and Schedule A based on percentage of business use (i.e. rental portion).

**Vacation Home Limitation**

If you rent a property you also use personally, deductions are limited if your personal use exceeds 14 days or 10% of the total days you rent it to other at fair market price. If rent a vacation home, please provide us the number of days or personal use and number of days rented to others.

**Mandatory Activity Level for Rental Deductions**

In order to classify a property as a rental property (as opposed to a second home or vacation home or investment), you must make an active effort to rent the property. This should be evidenced by receipts for advertising expenses or actual receipt of rent. Additionally, if you use a dwelling as a residence and rent it for fewer than 15 days, the rent and expense is not reported.

**Preparation of Property for Rental**

If you purchase a property and make repairs or improvements prior to rental, we must “capitalize” all of those costs (lump together and depreciate) instead of deducting in that year.

**Capital Improvements & Installation of Equipment vs. Repairs and Supplies**

Repairs and supplies are day-to-day items that generally cost below $500. For example, if you spent $100 on a plumber to unclog a toilet, that is a repair. If you replaced the whole commode, it is a capital improvement (installation of new equipment). The purchase of a handful of tiles to replace cracked or water damaged tiles would qualify as supplies or repairs. Replacing an entire floor, or installing new carpeting, would be a capital improvement. General hardware items of low cost are supplies. Repairs and supplies are expensed in the year the expense is incurred. Equipment installation and other capital improvements are depreciated over their useful life. Please list equipment purchases and other capital improvements done in 2020.

|  |  |  |
| --- | --- | --- |
| **Type of Equipment or Capital Improvement** | **Date of Purchase** | **Purchase Price** |
|  |  |  |
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|  |  |  |
|  |  |  |

**Additional Local Taxes**

Please note the District of Columbia has a separate **Unincorporated Business Franchise Tax Return (D-30)** that applies if gross rents received exceed $12,000.