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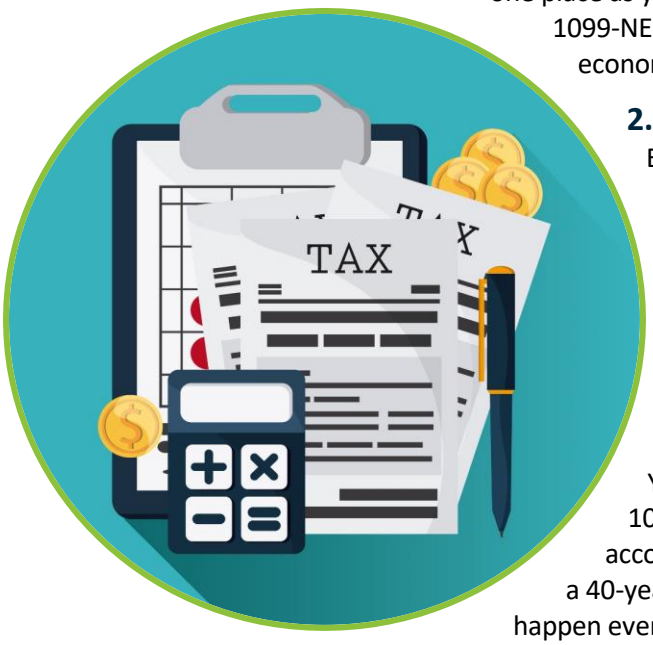
4 Ways to Make Sure Your Tax Return Doesn't Get Stuck

Here are four ways to make sure the preparation of your tax return keeps moving along until it gets filed.

1. Keep tax documents in one place.

Missing items is one of the biggest reasons filing a tax return gets delayed! Find a place in your home and put all tax documents in this one place as you receive them. Common missing items this year will include the new 1099-NEC for any taxpayers that are contractors, consultants or part of the gig economy.



2. Organize documents by type.

Every tax professional has a story of someone bringing their documents to them in a shoebox or storage container. All this does is increase the amount of time it takes to prepare your return, so it's best to sort your documents in tax return order.

Pull out last year's tax return and create folders for each section including income, business/rental information, adjustments to income, itemized deductions, tax credit information and a not-sure bucket.

3. Create list of special events.

You receive a Form W-2 from your employer every year. You may get a 1099-INT from your bank if you earn interest income on your deposit accounts. But selling a home usually doesn't happen every year. Retiring from a 40-year job doesn't happen every year. Sending a child to college also doesn't happen every year (although it might seem like it does!).

If you don't write down these unusual events as they happen, you might forget them when your tax return is being prepared. And you may not remember until the moment your return is about to be filed. This is sure to cause delays.

4. Don't forget your signature!

You may be surprised to learn that even if you electronically file your tax return, you still must sign Form 8879, which authorizes the e-filing of your return. So whether it's a traditionally-filed paper tax return or one filed electronically, a signature is required.

These are four of the more common reasons why the preparation of your tax return may get delayed. Be prepared and file your return without a hitch!

Be Prepared for These Pandemic-Related Tax Surprises

Don't get shocked by a high tax bill! Be prepared for these pandemic-related tax surprises when you file your 2020 tax return.

Taxes on unemployment income.

If you received unemployment benefits in 2020, you need to report these benefits on your tax return as taxable income. Check to see if either federal or state taxes were withheld from unemployment payments you received.

If taxes were not withheld, you may need to write a check to the IRS when you file your tax return.

Taxes from side jobs.

Did you pick up a part-time gig to make ends meet? Payments received for performing these jobs may not have had your taxes withheld.

If this is the case, you'll need to pay your taxes directly to the IRS on April 15.

Unusual profit-and-loss.

If you run a business that was hit by the pandemic, you may find your estimated tax payments were either overpaid or underpaid compared to normal.

Now that 2020 is in the books, run a quick projection to ensure you are not surprised with an unexpected tax bill when you file your tax return.

Underpayment penalty.

If you did not have proper tax withholdings from your paycheck or your estimated tax payments weren't enough, you could be subject to an underpayment penalty.

While it's too late to avoid a penalty on your 2020 tax return, the solution in the future is to make high enough estimated tax payments each quarter in 2021 or have the appropriate amount withheld from your 2021 paychecks.

A chance to claim missing stimulus payments. (A good surprise!)

If any of your stimulus payments were for less than what you should have received, you can get money for the difference as a tax credit when you file your 2020 tax return.

Please use these examples to prepare yourself for a potential tax surprise during the uncertainty caused by the ongoing pandemic.

Protect Your Tax Return With an IP PIN

The Problem

You hang up the phone with a huge smile on your face. You just learned that you're getting a pretty sizeable tax refund this year.

Now all you need to do is kick back and wait a week or two for the IRS to wire the money into your bank account.

This good news, however, is unfortunately short lived. The very next day you get another phone call.

"*I'm sorry to tell you this, but someone else has already used your Social Security number to file a tax return.*"

You're told that you'll still be able to eventually get your nice, big tax refund, but it may be several months before you see the money. You first need to work with the IRS to resolve your case of identity theft.

The Solution

There's a secret weapon you can now use to protect your tax return – an Identity Protection PIN (IP PIN).

Beginning this tax season, all taxpayers who can verify their identities are eligible to obtain an IP PIN. An IP PIN is a 6-digit PIN that offers additional protections when filing your tax return.

This one-time-use number is sent to you by the IRS and must be entered on your tax return along with your Social Security number. Since the IP PIN is a one-time-use number, you will receive a new IP PIN number each year from the IRS.

If someone tries to fraudulently file a tax return using your Social Security number, they will be unable to do so without this IP PIN.

What You Need to Do

- **How to get an IP PIN.** To obtain an IP PIN, click here to visit the IRS's Get an IP PIN tool to opt into the IP PIN program.
- **If your identity has already been stolen.** If someone uses your Social Security number to fraudulently file a tax return, ask for help to find out next steps for getting your identity fraud case resolved with the IRS.
- **Once in, tough to get out...for now.** As this is the first year the IRS is making the IP PIN program available for anyone who wishes to use one, they are not ready to let you opt out once you agree to participate. They anticipate adding the opt-out feature in the near future.

Hiring Family Members - What You Need to Know

Many business owners hire their children, their spouse, or other family members to work in their business. Sometimes this works out well. Other times it causes problems. Let's look at the pros and cons of putting family members on your payroll.

Hiring Your Children

Hiring your kids for a summer or part-time job usually has more tax advantages and fewer drawbacks than hiring other relatives. The financial advantage is that if you're paying your child to do useful work, the business gets a tax deduction for the wages paid. Your child will probably pay little or no income tax, and the after-tax wages stays in the family.

Follow certain steps to make sure the wages are fully deductible. The child must be doing a real job that helps the business, and the wages must be reasonable for the work performed.

Keep detailed records of hours worked and pay salary regularly, preferably on the same schedule as other employees. In other words, treat your child just like any regular employee.

Hiring Your Spouse or Other Relatives

An advantage to hiring your spouse or other relatives are that you have an employee whom you know well, and who may be more motivated or more flexible than a non-family member. And in many family-owned businesses, it's a powerful way to train the next generation who will take over leadership.

That same familiarity can bring disadvantages, however.

Few families are without some internal or intergenerational conflict, and that can be disastrous if it spills over into the workplace. You must also consider the effect on other employees. Any sign of favoritism or unequal treatment can cause resentment and ruin the motivation of other employees.

There Could Be Tax Benefits

In addition, depending on how your business is organized and the age of your child, you may be able to avoid paying Social Security, Medicare, and unemployment on their wages. To qualify, you must be a sole proprietor or a husband-wife eligible partnership and your child must be under the age of 18.

Be Cautious Moving Forward

There are plenty of businesses where hiring family members has worked out just fine, but other businesses where it didn't work out.

So think long and hard before you bring family members into the business. Talk to them and to your key employees beforehand so everyone understands and is comfortable with their roles in the company.