



ALLOY SILVERSTEIN ACCOUNTANTS AND ADVISORS

900 North Kings Highway · Cherry Hill, New Jersey 08034 · 856.667.4100
165 North White Horse Pike · Hammonton, New Jersey 08037 · 609.561.1555
www.AlloySilverstein.com

Your tax-ready checklist

Want to make filing your 2020 taxes seamless? The best solution is to have all of your source documents ready when you meet with your accountant or tax advisor. This year, you may need some additional paperwork such as unemployment benefits or economic impact payments you may have received.

Income

- ☐ W-2(s)
- ☐ 1099 forms (-MISC, -INT, -DIV, -NEC, -A, -B, -C, -G, -K, -Q, -R, -S and any others)
- ☐ K-1(s)
- ☐ Income from investments and interest
- ☐ Income from social security benefits
- ☐ Income from alimony
- ☐ Income from awards
- ☐ Income from gambling winnings (W2-G)
- ☐ Income from jury duty
- ☐ Income from unemployment
- ☐ Insurance reimbursements
- ☐ Rental property income
- ☐ Business income
- ☐ Economic impact payments

Expenses

- ☐ Property and real estate taxes paid
- ☐ State and local income taxes paid
- ☐ Estimated tax payments made (amounts and dates)
- ☐ Form 1098 mortgage interest
- ☐ Form 1098-T and/or 1098-E (Education costs, tuition or student loan interest)
- ☐ Child care costs
- ☐ Medical and dental expenses
- ☐ Rental property expenses
- ☐ PMI and any points paid
- ☐ Documentation for business use of vehicle
- ☐ Casualty loss records for federally declared disasters
- ☐ Contributions to medical savings account
- ☐ Contributions to IRA or self-employed pension plan
- ☐ Charitable donation records ♦

clientalert

spring 2021

Be prepared for these 4 pandemic-related tax surprises

With all of the uncertainty caused by the pandemic, the last thing any of us needs is a big tax surprise. Be prepared for these potential pandemic-related issues when you file your 2020 tax return.

1. 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.

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

3. Unusual profit-and-loss. If you run a business that was hit by the pandemic, you may find that your estimated tax payments were either higher or lower than your actual tax liability. 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.

4. 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 claim the difference as a tax credit on your 2020 tax return.

Your CPA can provide guidance on these or any other questions you have on your 2020 taxes. Don't hesitate to call Alloy Silverstein for assistance. ♦



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tax alert

Expect the unexpected from the IRS



No one likes surprises from the IRS, but they do occur from time to time. Here are some situations that could happen, and what to do about them.

- **An expected refund turns into a tax payment.** Nothing is more deflating than expecting a nice refund and instead finding, you actually owe the IRS money.

What you can do: Run an estimated tax return. If it looks like you're going to owe, adjust your federal income tax withholdings for the balance of 2021. If you're self-employed, consider increasing your estimated tax payments due in April, June and September.

- **Getting a letter from the IRS.** If the figures on your income tax return do not match your W-2s and 1099s, you could get a letter saying that you're being audited. These audits are now done by mail. The IRS will demand taxes on the amount of income omitted from your tax return.

What you can do: Check the information in the letter against your records. If the IRS has made a mistake, ask your accountant how to respond.

- **Getting a tax bill for an emergency retirement distribution.** In 2020, you could withdraw from retirement accounts early without a 10% penalty if you were affected by COVID, but normal income taxes are still due on the withdrawal.

What you can do: Your retirement account administrator may have withheld funds automatically, so check your statements. If they did not, or the withholding was insufficient, consider sending an estimated tax payment now. If you are charged a withdrawal penalty in error, ask your accountant for help to get this charge reversed. ♦

Financial realities for remote workers

If it was your first time working from home in 2020, you may be facing issues you've never had to consider before. You're not alone. With millions of employees in remote work situations, many are wondering how this will impact their finances and their taxes. Here are some common questions and answers:

Q: My home is in one state and my employer is in another. Where do I pay income taxes?

A: Every state has its own laws regarding remote work, including earnings thresholds and how many days you spend working in a state other than your workplace. Some states have reciprocity agreements—say Pennsylvania and New Jersey, so you only pay tax where you live. Check with your accountant for guidance on this important issue.

Q: Can my employer request a refund for non-resident employees?

A: The City of Philadelphia is allowing

employers to submit a wage tax refund request on behalf of a group of their non-resident employees. The form is available at www.phila.gov.

Q: Can I deduct my home office expenses?

A: The short answer is no. In order to deduct a home office, it must be used exclusively for business and it must be your primary place of business if you are self-employed. If you're a W-2 employee, you are not allowed to deduct your home office expenses.

Q: Can I get my employer to reimburse me?

A: With added electrical, heating, telephone, internet, office supplies and other costs, there's no question that you are picking up some of the expense of your home office. One way companies are solving this is by allowing employees to submit valid expense reports to cover some of these extra costs. They do this by setting up an accountable plan. This may be more complicated than it appears, so please call if you need help. ♦



alloy happenings

- **Alloy Silverstein Accountants & Advisors**
- Named a Top Recommended Accounting and Tax Firm by *Forbes* for a second year.
- Hosted our 13th annual Externship Day virtually, welcoming 18 students from colleges and universities throughout Greater Philadelphia, January 7.
- **Ren Cicalese, CPA, PFS, CGMA**
- Featured in *Philadelphia Business Journal*, "Is there anything in there for me?: Local experts on what businesses need to know about new stimulus package," December 28.
- Presented "Accounting as a Cool Career" Catholic Partnership Schools, February 5.
- Served as a panelist on BCSJ's "The Times They Are A Changing" webinar, discussing commercial real estate tax implications and cash flow, February 19.
- **Ren Cicalese III, CPA, MST**
- Presented "The Path to PPP Forgiveness: Taking the Next Steps in the Paycheck Protection Program Loan Process" as an Alloy Academy, December 10, and to Burlington County Regional Chamber of Commerce, December 16.
- Presented "PPP Round 2: What's New, What's The Same, and What You Need to do Next" to Burlington County Regional Chamber of Commerce, January 14, and as an Alloy Academy, January 19.
- Presented "Breakfast Briefing: The Employee Retention Credit," January 28.
- Participated in NJCPA's interview of high school students for their college scholarship program, January 16.
- Presented to new real estate agents at Keller Williams Realty, February 8.
- **Julie Strohlein, CPA Kelly Raso, CPA**
- Presented "2021 Taxes: What is on the Horizon" for Hardenbergh Insurance Group, February 11, and as an Alloy Academy, February 17.
- **Ronald V. Donato Jr, MBA, CFP®**
- Attended the Avantax Virtual Forum on advances in Financial and Retirement Planning and new product innovations and tools, December 7-9.

Happy Anniversary

- **Kim Sheehan, CPA/PFS**, celebrating her thirtieth anniversary with the firm.
- **Adrienne Dell'Olio**, celebrating her fifteenth anniversary with the firm.

Welcome

- **Samantha Caterina**, formerly employed at a Vineland, NJ firm.

Alloy Spotlight



This quarter, our spotlight is on **Donna Gerber**, Alloy Silverstein's Office Manager. Donna is responsible for the day-to-day operations of the firm, which includes supervising a staff of seven administrative support personnel. They're the team that has been in the office throughout COVID-19, ensuring that financial statements and tax returns are submitted on time, mail is processed, documents are proofread and the business runs smoothly and efficiently. The pandemic has undoubtedly added complexity to her job. It's also given her a greater appreciation of how much management cares about employees and keeping everyone safe. "The protection of the team is of utmost importance," she explains. "Taking temperatures before being admitted to the office, frequent handwashing, wearing masks all day and staying far apart from one another are the norm." A native of Medford and a long-time resident of Tabernacle, Donna enjoys vacationing at the Jersey shore, walking her Australian cattle dog Abby and babysitting her 2-year-old granddaughter. "She is my happiness," she says. ♦

Tax Season Hours

This tax season may look different from previous years, but Alloy Silverstein is here to provide the client service experience you've come to expect from us. Our office hours remain 8:00am to 5:00pm Monday through Friday. However, our accountants are working remotely with extended hours and are accessible via email, video and their direct phone line.

While electronic submission of tax documents is preferred, you may drop off physical documents using the office mail slots. If they are too large, please call and make arrangements during business hours.

Reach out to your CPA to schedule a Zoom meeting to review your tax return and to address any other financial or business concerns you may have. For more tax season resources including our Tax Planning Guide, go to www.alloysilverstein.com/tax-season.



Thanks to the generous support of employees, clients, friends and neighbors, Alloy Silverstein donated to 49 families totaling 139 kids & teens in the South Jersey community through our "Adopt A Family" initiative this past holiday season. Thank you to all who donated!



Alloy Silverstein's team continues our annual fundraising for American Heart Association's Go Red for Women campaign, raising \$4,074 this year for women's heart health awareness.

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something ² consider

What is inflation and is it on the way?

by Ronald V. Donato, Jr., CFP®, MBA

As virtually everybody was wondering what was going on with GameStop and Robinhood, and what the heck is short-selling etc., the bond market was doing what it normally does: giving us clues as to the future economic outlook. Of course, none of that bond market information is a guarantee, but we need to pay attention!

The yield (yield is another name for interest rate) curve for US Treasuries is steepening sharply. What that means is that the longer-term rates have risen quite a bit from their prior, recent levels. Specifically, as of the week ending February 5, 2021 the 10-year yield is at 1.17% and the 30-year yield is at 1.98%. It has not been so close to 2% in about a year. In the past, these types of rising long-term rates indicate that the bond market wizards expect stronger economic growth and higher inflation. This is anticipated for several reasons:

- Massive spending is expected in the new administration. Of course, the COVID spending was also rather high (how is that for an understatement)!
- There is a perception that there is a lot of pent-up demand, which is expected to be unleashed once we can all get vaccinated.
- The Fed and other central banks put massive amounts of money into the world economy during the pandemic, which creates a large supply of money to be spent or saved.
- Many people are leaving the cities and/or wanting to live in a house of their own. With mortgage rates still very low, that dream is coming true for more people every day. New homes need new furniture, etc. By the way, median home prices are also up above year-earlier levels.
- Many new policies in the U.S., such as the national minimum wage and the new energy policy will likely cause an increase in expenses for many products and basic needs, like your heating, gasoline, etc.

All of the above will tend to lead us toward: INFLATION.



Simply put, price inflation means that prices go up from current levels. Currently, due to the previously mentioned government spending levels in the U.S., we are also seeing a decline in the value of the dollar. What does a person do about this as we look at a personal financial or retirement plan?

- First, make sure that you prepare a plan and include inflation in your calculations. If you have not done this, we can help you.
- Second, when you do the plan (or have us do it for you), it likely needs to contain some growth aspect so that you can keep pace with inflation. Of course, this needs to be carefully planned as we all know that what goes up, will at least occasionally come down.
- Third, some people are including traditional inflation hedges like gold and gold mining companies in their portfolios. Again, be careful regarding this, as holding too much of any asset can increase your risk. More importantly, remember that gold, like any other investment, will move up and down in price based on the value of the dollar, etc.

Inflation with economic growth is not a bad thing, but we must plan for it properly!

As always, we are here to help you stick to your long-term financial goals. Call us if you wish to discuss this further. ♦

Alloy Silverstein honored nationally



Alloy Silverstein has won the the ClearlyRated Best of Accounting™ Award for providing superior service to clients for the third year in a row. Clients of winning firms are twice as likely to be completely satisfied than those who work with non-winning firms. Less than 1% of CPA firms in the U.S. and Canada receive this distinction.

The firm received satisfaction scores of 9 or 10 out of 10 from 91.5% of clients, significantly higher than the 2020 industry average of 43%. This figure continues to increase from 89.7% in a 2019 client satisfaction survey and 86.4% in 2018.

The Alloy Silverstein team is grateful for this continued recognition of our client service as we remain here for our clients now and throughout recovery.

Solution Spotlight: Employee Benefit Plan Audits

Are you in charge of your company's 401k audit this year? Alloy Silverstein can make it easy for you. Reach out to Angela Venti at AVenti@alloysilverstein.com for more information.



Alloy Academy

Our monthly workshops, which are filled with tips and best practices, are being held virtually. To sign up for upcoming events and to view past webinar recordings, go to www.alloysilverstein.com/events.



What the IRS is up to

Mileage rates decrease

Mileage rates for business travel are set for 2021. The standard mileage rates for the use of a car (also vans, pickups or panel trucks) are:

- 56 cents per mile driven for business use, down 1.5 cents from 2020
- 16 cents per mile for medical, or moving purposes for qualified active duty members of the Armed Forces, down 1 cent from 2020
- 14 cents per mile driven for charitable work. This rate remains unchanged from 2020.

Employee Retention Tax Credit

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 made a number of changes to employer tax credits previously made available under the CARES Act. Among them, the Employee Retention Credit (ERC) was extended for six months and modified in a number of ways. This is for employers

who kept employees on payroll despite challenges posed by COVID-19. For all of the details, visit the Alloy Silverstein webinar recording at www.alloysilverstein.com/events.

Social Security changes for 2021

New benefits took effect on January 1. For recipients of Social Security, these include a 1.3% cost of living increase. If you're an individual who began collecting before full retirement age, you can now earn \$18,960 before benefits are reduced.

PPP new eligible expenses

The second draw of the PPP program has expanded forgivable expenses, originally limited to payroll, rent, mortgage interest and utilities. New eligible expenses include PPE and facility modifications; unreimbursed property damage costs from 2020 looting; essential supplier expenses; and payments for certain business software or cloud computing services. Visit our COVID-19 Resource Center for the latest updates. ♦

Upcoming tax deadlines

March 15

- Deadline to file partnership and S-Corporation tax returns.

April 15

- Deadline to file individual, trust and calendar-year C-Corporation returns.
- Annual gift tax returns are due.
- Deadline for making 2020 IRA contributions.
- First installment of 2021 individual estimated tax is due.

May 17

- Deadline for calendar-year non-profit organizations to file annual reporting returns. ♦

Follow us on social media



Stay up-to-date with the latest firm information and breaking tax and business news.

(We also appreciate reviews and recommendations!)

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us. Information used is obtained from sources considered to be reliable.

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