

# Powers & Company

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**On March 11** The American Rescue Plan was signed sending millions of qualifying Americans \$1,400. This money was sent to anyone who met the qualifying criteria, regardless of age. **Let me know if you received this payment and how much was received. If they did not send you the correct amount, we can claim a refundable credit on your 2021 tax return. Also, qualifying parents are entitled to a \$3,600 refundable tax credit which was scheduled to be paid \$300 monthly beginning in July. Money not prepaid is also claimed on your 2021 tax return as a refundable credit as a refundable credit Let me know how much you received.**

**Qualifying persons were allowed to take distributions up to \$100,000 in 2020 from their eligible retirement accounts.** If not repaid, tax, but no penalty will be due. Tax payment options available were; a) Pay the tax in full, b) Pay the tax over three years (reporting 1/3 each year beginning 2020, or the distribution could be repaid over three years without triggering tax.

**Civilian Contractors** previously employed in Afghanistan had their assignments cut short and failed to meet their FEIE qualifications after returning to the U.S. early. Thus far the IRS has not issued their annual Rev. Proc. or made any announcement specifying that the physical presence tests for purposes of meeting the FEIE exclusion. Our clients who were employed in Afghanistan are urged to send us their tax information as early as possible so that we can act quickly if the IRS failed to grant relief.

**Qualifying self employed and independent contractors** hit with big **self employment** tax in 2020 had 2 years to pay the tax, 50% by Dec. 31, 2021 and the rest by Dec. 31, 2022. The rules were confusing for many and although the IRS was to remind those owing tax by year end, I suspect that many did not receive an IRS letter and may have forgotten to pay the year end tax payment. This will result in IRS bills with interest and possibly penalty. For this reason, I advised many to elect out of the deferred social security option. However, if you were among those who missed the December payment, expect to hear from the **IRS AND LET ME KNOW** if you didn't make the payment.

**Taxpayer penalties for unsubstantiated credits and deductions and tax preparer "Due Diligence" rules and penalties are more stringent than ever.** Refundable and non refundable dollar for dollar tax credits have replaced many old deductions. These include credits for child and other dependent care; higher education, adoption, low earned income, the new Saver's Credit, residential energy. This means that I must now see receipts and other documentation substantiating entitlement to these credits and special

tax filing statuses (I.E. Head of Household). Dependent credits and HoH status requires the tax filer to substantiate that a qualifying person resides in the home that the taxpayer pays more than half of the cost of maintaining. I will need to see day care receipts, school or physician letters that mention children's name and address. **The IRS is very strict that if we do not receive evidence from you that the children live with you and that you provide support, we are NOT permitted to claim the credit.**

Visit our website at [www.tax-power.com](http://www.tax-power.com) to access the 2021 general and expatriate organizer as a checklist should you need a reminder of the information that may apply to you. **Tax saving strategies are also found on the Tax-Powers website.**

If you have any foreign financial accounts, including bank, stocks or other investments retirement savings plans, etc., we will need a list that includes the name and address of the foreign financial institution, the account number, the highest balance or value during the year, if the account was either opened or closed during the year and if the account is jointly owned, we need the name, address and if available, a U.S. tax ID number (SS or ITIN).

Be sure that we have the banking information (routing and account numbers) where you wish either your refund to be deposited or any balance owed to be draws from. Unless you advise us of the date that you want any tax owed to be drawn from, we will use April 15 (or June 15 if you reside outside the U.S.

Finally, please sign and date either the questionnaire or a statement that all information that you provide is accurate and complete. Provide your contact information, including email address and telephone.

Finally remember to send me copies of your driver's licenses.

If you have any questions, please contact me either by telephone or email.

Kind regards,

A handwritten signature in black ink, appearing to read 'Andy Powers', with a long, sweeping horizontal stroke extending to the right.

Andy Powers

**P.S. IF SENDING DOCUMENTS AND CONFIDENTIAL INFORMATION ELECTRONICALLY, BE SURE TO USE PASSWORD PROTECTION-THE BEST BEING THE LAST 4 DIGITS OF YOUR SOCIAL SECURITY NUMBER. Drop Box provides free electronically secure storage for this as well.**