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## April 2021 Due Dates

### May 17 - The Normal April 15 Tax Filing Due Date has been extended to May 17, 2021

The IRS has extended the normal April 15 individual tax return due date to May 17. Caution: the extension does not apply to the 2021 estimated tax payment which is still due on April 15, 2021. This also does not apply for all states.

### April 15 - Estimated Tax Payment Due (Individuals) - Did not change.

It's time to make your first quarter estimated tax installment payment for the 2020 tax year. Our tax system is a "pay-as-you-earn" system. To facilitate that concept, the government has provided several means of assisting taxpayers in meeting the "pay-as-you-earn" requirement. These include:

- Payroll withholding for employees;
- Pension withholding for retirees; and
- Estimated tax payments for self-employed individuals and those with other sources of income not covered by withholding.

### April 15 - C-Corporations

Last day to file a 2020 calendar year income tax return (Form 1120) and pay any tax due. If you need an automatic 6 -month extension of time to file the return, Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information and Other Returns, are also due along with a deposit equal to the you estimate you owe. Filing this extension protects you from late filing penalties but not late payment penalties, so it is important that you estimate your liability and send it along with a Form 7004.

### April 15 - Fiduciary Return

Last day to file a 2020 calendar year fiduciary return (Form 1041, U.S. Income Tax Return of Estates and Trusts) or file an extension.

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## It's Official! Another Round of Stimulus Payments Approved by Congress

The American Rescue Plan Act has passed and includes a third much-anticipated economic impact payment (EIP). This is one of several government measures intended to help financially stressed citizens. This will be the third round of EIPs since the pandemic began disrupting the economy at the beginning of 2020, leaving many Americans without jobs or any way to support their families.

This round of EIPs will be:

- \$1,400 (\$2,800 for joint filers), plus
- \$1,400 per dependent—unlike the prior payments, the payment will apply to all of a taxpayer’s dependents regardless of age.

Since the payments are meant for lower-income taxpayers, they will phase out for higher-income taxpayers. Thus, the payment amounts will phase out for taxpayers with adjusted gross incomes (AGI) between:

- \$150,000 and \$160,000 for married taxpayers filing jointly;
- \$112,500 and \$120,000 for head-of-household filers; and
- \$75,000 and \$80,000 for all other filers.

The Treasury will make these payments automatically based on a taxpayer’s filing status, AGI, and claimed dependents on their 2019 return—or the 2020 return if it has been filed and processed by the IRS by the time the IRS generates the payments.

Example: Don and Shirley file jointly, have one dependent, and their 2019 AGI is \$152,500 (they had not filed their 2020 return by the time the third round of EIPs were determined). Because their AGI is a quarter of the way through the phaseout range for joint filers, their EIP3 will be reduced by 25%. Here is the computation for their EIP3:

EIP for Don & Shirley:	2,800
EIP for their dependent	<u>1,400</u>
Total before phaseout	4,200
Phaseout (25%)	< <u>1,050</u> >
Economic impact payment	<b>3,150</b>

Had Don and Shirley had an AGI of less than \$150,000, their EIP would have been \$4,200. Had Don and Shirley had an AGI of \$160,000 or more, their EIP would have been \$0.

It is anticipated that the Treasury will begin issuing the EIP3s within a week after President Biden signs the American Rescue Plan Act into law.

**Reconciliation** – When taxpayers file their 2021 tax returns, they will need to reconcile the payments they received with the amounts they were entitled to based upon the 2021 tax return filing status, AGI and claimed dependents. If payments were less than what they were entitled to, the difference becomes a refundable tax credit on the 2021 tax return. Taxpayers who received more than they were entitled to are not required to repay any difference.

Example (continued) – Don and Shirley’s actual 2021 AGI ends up being \$148,000, so none of the recovery rebate credit (RRC) has to be phased out because the AGI is less than \$150,000. Therefore, they’ll be allowed \$1,050 (the difference between \$4,200 and the EIP3 they received of \$3,150) as a refundable credit on their 2021 tax return.

**Dependents** – Dependents who file their own returns are not eligible for an EIP or the RRC.

**Decedents** – Individuals who died prior to January 1, 2021 will not be eligible for the EIP3 or RRC.

**Social Security Number** – A Social Security number is required for eligibility for filers and their dependents. An exception to the SSN requirement is if a dependent is adopted or placed for adoption and has an ATIN (adoption taxpayer identification number). The SSN has to have been issued by the Social Security Administration on or before the due date for filing the 2021 return.

**Regulations** – The Act specifies that the Treasury Secretary is to issue regulations or other guidance to ensure, to the maximum extent administratively practicable, that in determining the amount of the RRC, an individual is not taken into account more than once. This includes claims by different taxpayers and by reason of a change in joint return status or dependent status between the taxable year for which an advance refund amount is determined and the taxable year for which the RRC is determined.

**Non-filers** – An individual does not have to file a tax return to be eligible for the EIP. The Treasury has developed methods for directing payments to non-filers, such as Social Security

recipients who don't have other income. If you are a non-filer who received the two prior EIPs, you should automatically receive this third one. Although it may take a bit of time for the IRS to update their website to incorporate the recent changes, they provide a [Non-Filer Tool](#) on their website.

Following Up – You will be able to check on the status of your rebate using the “[Get My Payment](#)” feature on the IRS webpage.

Also, realize there may have been births, deaths, changes in dependents, marriages, separations, divorces, and income changes that can cause the rebate amounts to be different from expected or, in some cases, incorrect.

The IRS provides an [extensive Q&A](#) related to rebate issues and situations that may answer any questions related to your rebate once the information is updated for this third round of payments.

If you have any other questions, please give this office a call.

## Don't Be A Victim to IRS-Impersonating Scammers

Thieves use taxpayers' natural fear of the IRS and other government entities to ply their scams, including e-mail and phone scams, to steal your money. They also use phishing schemes to trick you into divulging your SSN, date of birth, account numbers, passwords and other personal data that allow them to scam the IRS and others using your name and destroy your credit in the process. They are clever and are always coming up with new and unique schemes to trick you.

These scams have reached epidemic proportions, and this article will hopefully provide you with the knowledge to identify scams and avoid becoming a victim.

The very first thing you should be aware of is that the IRS never initiates contact in any other way than by U.S. mail. So, if you receive an e-mail or a phone call out of the blue with no prior contact, then it is a scam. DO NOT RESPOND to the e-mail or open any links included in the e-mail. If it is a phone call, simply HANG UP.

Additionally, it is important for taxpayers to know that the IRS:

- Never asks for credit card, debit card, or prepaid card information over the telephone.
  - Never insists that taxpayers use a specific payment method to pay tax obligations.
  - Never requests immediate payment over the telephone.
  - Will not take enforcement action immediately following a phone conversation.
- Taxpayers usually receive prior written notification of IRS enforcement action involving IRS tax liens or levies. Don't be intimidated by threats of immediate arrest.

**Phone Scams** - Potential phone scam victims may be told that they owe money that must be paid immediately to the IRS or, on the flip side, that they are entitled to big refunds. When unsuccessful the first time, sometimes phone scammers call back trying a new strategy. Other characteristics of these scams include:

- Scammers use fake names and IRS badge numbers. They generally use common names and surnames to identify themselves.
- Scammers may be able to recite the last four digits of a victim's Social Security number. Make sure you do not provide the rest of the number or your birth date.
- Scammers alter the IRS toll-free number that shows up on caller ID to make it appear that the IRS is calling.
- Scammers sometimes send bogus IRS e-mails to some victims to support their bogus calls.
- Victims hear background noise of other calls being conducted to mimic a call site.
- After threatening victims with jail time or driver's license revocation, scammers hang up. Soon, others call back pretending to be from the local police or DMV, and the caller ID supports their claim.

Don't get hoodwinked by scammers. If you get a phone call from someone claiming to be

from the IRS, DO NOT give the caller any information or money. Instead, you should immediately hang up. Call this office if you are concerned about the validity of the call.

**E-Mail Phishing** – Phishing (pronounced “fishing”) is the attempt to acquire sensitive information such as usernames, passwords, and credit card details (and sometimes, indirectly, money) by masquerading as a trustworthy entity in an electronic communication.

Communications purporting to be from popular social websites, auction sites, banks, online payment processors or IT administrators are commonly used to lure the unsuspecting public. Phishing e-mails may contain links to websites that are infected with malware. Phishing is typically carried out by e-mail spoofing or instant messaging, and it often directs users to enter details into a fake website that looks and feels almost identical to a legitimate one.

Always remember, the first contact you will receive from the IRS will be by U.S. mail. If you receive e-mail or a phone call claiming to be from the IRS, consider it a scam.

Do not respond or click through to any embedded links included in the e-mail and don't open any e-mail attachments. Instead, help the government combat these scams by forwarding the e-mail to [phishing@irs.gov](mailto:phishing@irs.gov).

Unscrupulous people are out there dreaming up schemes to get your money. They become very active during tax season. They create bogus e-mails disguised as authentic e-mails from the IRS, your bank, or your credit card company, none of which ever request information that way. They are trying to trick you into divulging personal and financial information such as bank account numbers, passwords, credit card numbers, Social Security numbers, etc., they can use to invade your bank accounts, make charges against your credit card or pretend to be you to file phony tax returns or apply for loans or credit cards. Don't be a victim.

Imagine your return being e-filed and it gets rejected as already filed. You attempt to get a copy of the return but can't because you don't have the ID of the other unfortunate taxpayer who was used as the other spouse on the return. All the while, the scammers are enjoying their ill-gotten gains with impunity.

### **STOP-THINK-DELETE**

You need to be very careful when responding to e-mails asking you to update such things as your account information, pin number, password, etc. First and foremost, you should be aware that no legitimate company would make such a request by e-mail. If you get such e-mails, they should be deleted and ignored, just like spam e-mails.

We have seen bogus e-mails that looked like they were from the IRS, well-known banks, credit card companies and other pseudo-legitimate enterprises. The intent is to con you into clicking through to a website that also appears legitimate where they have you enter your secure information. Here are some examples:

- E-mails that appeared to be from the IRS indicating you have a refund coming and that the IRS needs information to process the refund. The IRS never initiates communication via e-mail! Right away, you know it is bogus. If you are concerned, please feel free to call this office.
- E-mails from a bank indicating it is holding a wire transfer and needs your bank routing information and account number. Don't respond; if in doubt, call your bank.
- E-mails saying you have a foreign inheritance and require your bank information to wire the funds. The funds that will get wired are yours going the other way. Remember, if it is too good to be true, it generally is not true.

We could go on and on with examples. The key here is for you to be highly suspicious of any e-mail requesting personal or financial information.

**What's in Your Purse or Wallet?** - What you carry in your wallet or purse can make a big difference if it is stolen. Besides the credit cards and whatever cash or valuables you might be carrying, you also need to be concerned about your identity being stolen, which is a far more serious problem.

Thieves can use your identity to set up phony bank accounts, take out loans, file bogus tax returns and otherwise invade your finances, and all an identity thief needs to be able to do

these things is your name, Social Security number, and birth date.

Think about it, your driver's license has two of the three keys to your identity. And if you also carry your Social Security card or Medicare card, bingo! An identity thief then has all the information he needs.

You can always cancel stolen credit cards or close compromised bank and charge accounts, but when someone steals your identity and opens accounts you don't know about, you can't take any mitigating action.

So, if you carry your Social Security card along with your driver's license, you may wish to rethink that habit for identity-safety purposes.

What You Should Never Do - Never provide financial information over the phone, via the internet or by e-mail unless you are absolutely sure with whom you are dealing. That includes:

- Social Security Number – Always resist giving your Social Security number to anyone. The more firms or individuals who have it, the greater the chance it can be stolen.
- Birth Date – Your birth date is frequently used as a cross check with your Social Security number. A combination of birth date and Social Security number can open many doors for ID thieves. Is your birth date posted on social media? Maybe it should not be! That goes for your children, as well.
- Bank Account and Bank Routing Numbers – These along with your name and address will allow thieves to tap your bank accounts. To counter this threat, many banks now provide automated e-mails alerting you to account withdrawals and deposits.
- Credit/Debit Card Numbers – Be especially cautious with these numbers, since they provide thieves with easy access to your accounts.

There are individuals whose sole intent is to steal your identity and sell it to others. Limit your exposure by minimizing the number of charge and credit card accounts you have. The more accounts that have your information, the greater the chances of it being stolen. Don't think all the big firms are safe; there have been several high-profile database breaches in the last year.

**Fake Charities** - Another fraud and ID theft scam associated with tax preparation involves charity scams. The fraudsters pop up whenever there are natural disasters, such as earthquakes or floods, trying to coax individuals into making a donation that will go into the scammer's pockets and not to help the victims of the disaster. These same crooks might also steal your identity for other schemes. They use the phone, mail, e-mail, websites and social networking sites to perpetrate their crimes.

When disaster strikes, you can be sure that scam artists will be close behind. It is a natural instinct to want to provide assistance right away, but potential donors should exercise caution and make sure their hard-earned dollars go for the purpose intended, not to line the pockets of scam artists. You need to be alert for this type of fraud.

The following are some tips to avoid fraudulent fundraisers:

- Donate to known and trusted charities. Be on the alert for charities that seem to have sprung up overnight in connection with current events.
- Ask if a caller is a paid fundraiser, who he/she works for and what percentage of the donation goes to the charity and to the fundraiser. If a clear answer is not provided, consider donating to a different organization.
- Don't give out personal or financial information—including a credit card or bank account number—unless the charity is known and reputable.
- Never send cash. The organization may never receive the donation, and there won't be a record for tax purposes.
- Never wire money to a charity. It's like sending cash.
- If a donation request comes from a group claiming to help a local community agency (such as local police or firefighters), ask the people at the local agency if they have heard of the group and are getting financial support.
- Check out the charity with the Better Business Bureau (BBB), Wise Giving Alliance, Charity Navigator, Charity Watch, or IRS.gov.



**Protecting Against Identity Theft** - To give you an idea of just how big a problem identity theft has become for the IRS, it currently has more than 3,000 employees working on identity theft cases and has trained more than 35,000 employees who work with taxpayers to recognize identity theft and provide assistance when it occurs.

When ID theft happens, it becomes a huge problem for the taxpayer and the taxpayer's tax preparer. So, the best way to combat ID theft is to protect against it in the first place and avoid becoming one of those unfortunate individuals who have to deal with it. Here are some tips to prevent you from becoming a victim:

- Never carry a Social Security card or any documents that include your Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN).
- Don't give anyone your own or a family member's SSN or ITIN just because they ask. Give it only when required.
- Protect financial information. Check brokerage, IRA, 401(k), etc., accounts regularly to ensure your e-mail and street addresses haven't been changed without your permission.
- Avoid using public wi-fi, especially when accessing financial accounts.
- Create strong passwords and keep them confidential.
- Check your credit report every 12 months.

Secure personal information at home.

- Protect personal computers by using firewalls and anti-spam/virus software, updating security patches and changing passwords for internet accounts.
- Portable computers, tablets and smartphones can be stolen or lost. Limit the amount of personal information they contain that can be used for ID theft. Be extra vigilant against theft.
- Don't give personal information over the phone, through the mail or on the internet without validating the source.

If you do find you have been a victim of identity theft, contact this office immediately so we can notify the IRS and have a special ID PIN issued that you can use to file your tax return and prevent a thief from filing a fraudulent return under your ID. Also, call if you have any questions.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

Scott Jensen  
Kramer & Jensen, LLC

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