

Center for the Women of New York



Empowering Women to Achieve Full Equality Since 1987

Presents

Financial Literacy Series

Tax Workshop Part 2

Credits & Deductions Overview

\$\$\$ In Your Pocket

Zoom Webinar

Wednesday, February 17, 2021



Tax Workshop Part 2



Credits & Deductions Overview

\$\$\$ In Your Pocket

Hosted by

Victoria Pilotti, President

Cecilia Venosta-Wiygul, Vice President & Program Committee Chair

Center for the Women of New York

Guest Speaker

Kathleen M. Carroll, E.A.



About CWNY



Since our founding in October of 1987, the Center has shown that women working together can be an effective force. We are a voluntary, non-profit organization, dependent on dues from our members and on the volunteer efforts of business, professional and community women and men in New York City.



We advocate strongly for women's full equality by partnering with like-minded organizations and elected officials. We participate in women's marches and organize symposia on topics like domestic violence and human trafficking. We help women in crisis through referrals to social services.



At the Center for the Women of New York, we believe education is a cornerstone of women's economic independence. To that end, we offer classes in conversational ESL, computer skills, and other topics, and an annual Career Conference to enable women to gain employment and rise in the workplace.



Whether we're marching for worthy causes, celebrating women's accomplishments in leadership, the arts, or sports, camaraderie is a hallmark of CWNY. We've come a long way since the Second Wave of the Women's Movement in the latter half of the 20th century, and while there are many struggles ahead, we celebrate how far we've come.



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Center for the Women of New York



Empowering Women to Achieve Full Equality Since 1987

Upcoming Webinar:



Tax Workshop Part 3

New York State Personal Income Taxes

Wednesday, March 17th, 2021

8 – 9 pm



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Questions & Answers

Your questions will be addressed after the presentation.

Use the Chat Box at the bottom of your Zoom screen to ask questions.

If you dialed in, email your questions to events@cwny.org



Kathleen M. Carroll, E.A.

Kathy is a professional Accountant (Enrolled Agent to practice before the Internal Revenue Service). She has been practicing Accounting and providing Bookkeeping Services since 1981 to the present. She works with individual and corporate clients.

She directed and ran the Student Association Income Tax Preparation Program at Queens College for twenty-six years (1983-2009). She also ran an annual seminar at the International Students and Scholars Office at Queens College (2008-2017). These programs provided free, on-campus tax prep and advice to students.

She received a B.S. in Accounting from the C.W. Post Center of Long Island University and attended a graduate program at New York University.

Kathleen M. Carroll, E.A.

Kathy volunteers at the Center for the Women of New York as current Treasurer and former Vice President of Finance. She provides job and vocational training, presents at our Financial Literacy Programs, and is the CWNYP Work Readiness Program Advisor.

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TAX TRAUMA TERMINATED

2020 TAX FILING TIPS PART 2

CREDITS AND DEDUCTIONS OVERVIEW \$\$\$ IN YOUR POCKET

Kathleen M. Carroll, E.A.

www.irs.gov

Welcome and thank you for joining the webinar!

As of last Friday, Feb. 12, 2021, the tax season for the filing of 2020 income tax returns finally opened! This year's tax season had been delayed by IRS due to the issuance in late 2020 of the additional \$600 "stimulus" checks. Most taxpayers received this stimulus check via Direct Deposit in early January; others received the payment via a check sent in the United States mail mid-January. For those taxpayers who did not receive either this stimulus payment, or even the previous payments issued in mid-2020, the RECOVERY REBATE CREDIT will enable them to obtain it.

What are Credits and Deductions?

In Tax Trauma Terminated Part 1, we were introduced to the most common types of income and the documents that people typically receive to report it:

W2 (wages)

1099 NEC (self-employment/independent contractor)

1099G (unemployment compensation)

In Tax Trauma Terminated Part 2, we will review the available credits and deductions available to put more money in your pocket at tax time!

Credits and Deductions Defined

The terms “Credits” and “Deductions” are both moneysavers for the taxpayer. Many taxpayers can benefit from either one or the other, and sometimes both!

A CREDIT will directly reduce your tax on a dollar for dollar basis. Some credits, such as the Earned Income Credit (EITC) and certain Education Credits, will even refund you the amount by which the credit exceeds your tax liability!

A DEDUCTION is an allowable item that will reduce your taxable income so that your tax liability will be lower. Deductions do not reduce tax liability on a dollar for dollar basis; the benefit is based on your own tax rate.

DEDUCTIONS

Deductions are an allowable amount that reduce one's income in arriving at taxable income.

All taxpayers MAY choose to use the basic standard deduction to calculate their taxable income. Most taxpayers will HAVE to use the standard deduction if their potential itemized deductions do not exceed the standard deduction threshold.

Standard Deduction

The Standard deduction is the basic amount allowed to reduce income. The amount of the standard deduction is based on one's filing status. Under the TCJA (Tax Cuts and Jobs Act), which came into effect for the 2018 Tax Year, the Standard Deduction was raised significantly.

Standard Deduction Amounts for 2020

The following amounts apply to the 2020 tax year:

Single	\$12,400
Married Filing Jointly	\$24,880
Head of Household	\$18,650
Married Filing Separately	\$12,400

Itemized Deductions

Itemized deductions are a list of specific items that, when grouped together, will lower your taxable income IF they exceed the amount of your allowable standard deduction. For example, if a single person has itemized deductions in the amount of \$13,000, it would be beneficial to use this amount rather than the allowable standard deduction of \$12,400. The process is not as straightforward as it appears, however, as we will see shortly.

Types of Itemized Deductions

Itemized Deductions available to taxpayers include:

Medical Expenses including insurance premiums, out-of-pocket expenses, co-pays, vision and dental expenses, Travel to and from doctors' offices such as cost of taxis are also deductible. HOWEVER, your medical expenses must exceed 10% of your income before you can use one dime of them. For example, if your income is \$50,000, your medical expenses would have to exceed \$5,000 before any of the amount becomes usable, and then only the difference between the amount and the base is counted toward the deduction.

Other types of itemized deductions include:

State and local taxes withheld from one's pay during the year, as well as any balance due paid on a prior year's state tax return.

Real estate taxes

These two itemized deductions are referred to as "SALT" (state and local income taxes). The SALT deduction is currently limited to \$10,000 per taxpayer. There has been much controversy about this limitation, particularly here in New York and several other highly taxed states, including our neighboring states, New Jersey and Connecticut. In fact, the SALT limitations impact approximately ten states or less throughout the U.S.

List of itemized Deductions continued

Mortgage Interest

Mortgage Interest includes interest paid to banks and private lenders, and includes points and origination fees paid on a purchase.

If you purchased a home this year, you should look at your closing statement closely as you may have paid mortgage interest and real estate taxes that may not appear on the Form 1098 that your lender provides.

Charitable Contributions

Charitable contributions can be deducted for both cash and non-cash items. If a cash contribution of more than \$250 is made to a single recipient such as a church or charitable organization, a receipt is required to be kept in your records. Noncash contributions such as clothing and household items must have a receipt for contribution amounts over \$500. Many people believe that, in the case of a noncash contribution, the organization will let you know the amount. This is not the case. The organization will only provide a receipt saying the item was donated. It is up to the taxpayer to estimate the amount.

Charitable Contributions- New for 2020

Charitable contributions have always been a favorite itemized deduction. It helps taxpayers save money, and it assists those that need our help.

In 2020, non-itemizers may deduct up to \$300 for their charitable contributions. So even if you are not able to itemize, you can still use up to \$300 of charitable contributions to reduce your taxable income.

A Word on Miscellaneous Job Expenses

With the introduction of the TCJA, the deduction for miscellaneous job expenses such as union dues, workclothes, work tools, work travel, job related education, and other items of this type have been eliminated for nearly every type of occupation. So there is no need to hang on to small receipts for items of this type, as they are no longer deductible.

EXCEPTION: Teachers are allowed a \$250 adjustment to income for their purchase of school and classroom supplies. For 2020, this includes the purchase of PPE, disinfectant, and other safety supplies for the classroom related to COVID-19.

Bottom Line on Itemized Deductions

The bottom line on itemized deductions is this:

Due to the limitations placed on them (limit on medical expenses, SALT cap, etc.), most taxpayers will not be able to itemize and will use the standard deduction. Itemized deductions can be most frequently used by taxpayers who own homes and have significant mortgage interest to deduct.

Credits

Unlike a deduction, a tax credit can save a taxpayer money on a dollar for dollar basis. In some cases, if your tax is reduced to zero by a credit, you may be able to receive the additional amount of the credit. This is known as a “refundable” tax credit. A quick overview shows at least twenty credits (non-refundable and refundable) available to the average taxpayer. These include the Earned Income Credit, the Child Tax Credit/Additional Child Tax Credit, and Education Credits (American Opportunity and Lifetime Learning Credits). These credits help families raise and educate their children.

Earned Income Credit

The Earned Income Credit is a refundable credit based on income and family size. Although mostly designed to help families, this credit is available to single persons and married couples with no children. There is an age requirement (taxpayers must be between the ages of 25 and 65 to be eligible for the Earned Income Credit). In all cases, the Earned Income Credit is determined based on a sliding scale based on the relationship between your adjusted gross income and your earned income. Earned income is defined as money received from a job (W2) or net income from self-employment (1099 NEC/Schedule C).

EIC continued

In addition to age and income, the EIC is based on family size. The maximum amount of the credit for 2020 is:

One qualifying child:	\$3,584
Two qualifying children:	\$5,920
Three qualifying children:	\$6,660

EIC Calculated

For example, if your income falls into the highest range of the sliding scale, and you have three children, you could receive a full refund of your taxes withheld, plus an additional \$6,660 from the IRS.

Regarding Unemployment Compensation received in 2020: Unemployment compensation is fully taxable income. However, it is not considered earned income. In many cases, the calculation for the EIC will be thrown off by the addition of Unemployment (unearned income) on the tax return, possibly reducing the amount of the Earned Income credit for the taxpayer.

Child Tax Credit

For years 2018, through 2025, the Child Tax Credit is set at \$2,000 per child for each child under the age of 17 at the end of the year. If a child turns 17 on Dec. 31, he/she will not be eligible for the credit. The credit is available for taxpayers whose modified adjusted gross income is less than \$200,000 (\$400,000 if married filing jointly). All children must have a valid social security # by the due date of the tax return.

The child tax credit is generally limited to your tax liability. However, if your **earned** income is \$2,500 or more, or if you have three or more children, the excess amount may be refunded to you as the Additional Child Tax Credit.

Education Credits

Everyone knows the high cost of going to college these days. While tales of student loan debt relief and other ways to relieve college costs are discussed, one thing that has been available to parents (and in some cases the students themselves) are the Education Credits: The American Opportunity and the Lifetime Learning Credit. The American Opportunity Credit is available for the first four years of higher education at an accredited institution; the Lifetime Learning Credit is available for education years thereafter. The American Opportunity Credit is 40% refundable in most cases.

Wrap-Up

The three major tax credits discussed tonight would be the most likely to apply to the average taxpayer. There are many more credits that are available that can help taxpayers reduce their tax liability. Information on these credits can be found at :

www.irs.gov

Thank you for your attendance. Our next topic in our series will be an overview of New York State Personal Income taxes, which in some cases can differ greatly from your federal return.

Center for the Women of New York



THANK YOU

Kathy M. Carroll, E.A.

Center for the Women of New York



Question & Answer Session

Write your questions for our panelists in the chat box.

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Internal Revenue Service

[irs.gov](https://www.irs.gov)

E-File

[e-file.com](https://www.irs.gov/efile)

American Savings Education Council & Choose to Save

[asec.org](https://www.asec.org)

Financial Literacy & Education Commission

[mymoney.gov](https://www.mymoney.gov)

Pension & Welfare Benefits Administration

<https://www.dol.gov/general/topic/retirement>

Social Security Administration

[socialsecurity.gov](https://www.socialsecurity.gov)

Women's Institute for Financial Education

[wife.org](https://www.wife.org)

Women's Institute for a Secure Retirement

[wiserwomen.org](https://www.wiserwomen.org)

AARP

[aarp.org](https://www.aarp.org)

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