## Get Ready for Tax Season With This Year-End 2021 Tax Preparation Checklist

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**5 MIN. READ**

As we look past the heat of this summer toward the coming of fall, it's time to think about taxes. In preparing for next year's tax season, you will want to look at all your income and expenses for this year to get ready to file. However, keep in mind that the CARES Act will add some wrinkles to your process. Use this 2021 tax preparation checklist as a guide for getting ready.

### 2021 tax preparation checklist

1. ***Calculate your income for the year and gather supporting documents*** - Remember if you can't prove it, it didn't happen! Having organized documents will help you - or anyone preparing your taxes - do them quickly and correctly.
2. ***Understand the Coronavirus Aid, Relief, and Economic Security (***[***CARES***](https://www.cbpp.org/research/economy/cares-act-includes-essential-measures-to-respond-to-public-health-economic-crises)***) Act****-*This act created tax privileges for businesses and employers and permitted certain withdrawals from retirement accounts without penalties. It also allowed for rebate payments of $1,200 per adult and $500 per dependent child under 16. As with the increased and extended unemployment compensation benefits provided under CARES, taxpayers won't need to repay this stimulus money. An [expert at [Company Name]](https://fta-ria.com/solutions/) can help you figure out how the CARES Act affects you and what you need to do.
3. ***Take note of your RMDs for 2021*** - If you [waived your required minimum distributions](https://www.elderlawanswers.com/pandemic-relief-retirement-account-owners-do-not-have-to-take-required-distributions-in-2020-17762) for 2020 or rolled those funds back into your retirement accounts, you won't have that taxable income this year. You also don't have to put the funds back into your accounts.
4. ***Consider unemployment compensation taxation****-*The government gave you up to [$10,200 in unemployment](https://www.irs.gov/forms-pubs/new-exclusion-of-up-to-10200-of-unemployment-compensation) tax-free in 2020. That exclusion is [not available for 2021](https://www.cnbc.com/2021/07/12/dont-count-on-another-tax-break-on-unemployment-benefits.html).
5. ***Claim stimulus checks****-*If you missed a stimulus check, you can [claim the missing amount](https://www.cnet.com/personal-finance/claim-missing-stimulus-money-on-your-tax-return-asap-heres-how/) on your tax return.
6. ***Know your standard deduction*** - The increased numbers for 2021 are $12,550 for singles and $25,100 for married couples.
7. ***Make retirement contributions****-*Remember, you have until tax day to make IRA contributions. Also, you should try to [max out](https://www.aarp.org/retirement/planning-for-retirement/info-2020/401k-contribution-limits.html?CMP=KNC-DSO-COR-Retirement-10179-GOOG-401KContribution-Exact-NonBrand-ENG&gclid=CjwKCAjw092IBhAwEiwAxR1lRpxjRdIxyoNo9K1oBLsadGEaOxvL7KbmwN7db4ZuTXjS_LJcRRhFXhoCd_4QAvD_BwE&gclsrc=aw.ds) your contributions to your IRA and/or 401(k) accounts.  
   1. 401(k) limits are $19,500 if you're under 50 plus a $6,500 catch-up contribution for those over 50.
   2. IRA contribution limits are $6,000 for those under 50 and $7,000 for those over 50.



1. ***Deduct charitable donations****-*Even if you don't itemize, you can still deduct $300 ($600 for couples) in [charitable donations](https://www.kiplinger.com/taxes/tax-deductions/601993/charitable-tax-deductions-an-additional-reward-for-the-gift-of-giving). For itemizers, the standard 60% of adjusted gross income (AGI) is raised to 100% of AGI for 2021. Remember, though - gifts over $400 have claiming hurdles, like receipts and appraisals.
2. ***Review healthcare expenses****-*Review whatever you spent on healthcare expenses in 2021. You can [deduct non-reimbursed expenses](https://www.irs.gov/taxtopics/tc502) that exceed 7.5% of your AGI. For those who COVID-19 hit hard, this could be a significant deduction.
3. ***Strategize education planning****-*Try to max out the $15,000 limit on a 529 account if you have children or grandchildren planning for college. These annual contributions don't have a gift tax. Also, remember that [qualified education expenses](https://www.irs.gov/credits-deductions/individuals/qualified-ed-expenses) for yourself, your spouse or your children can be tax-deductible through the refundable American opportunity tax credit (AOTC) if they were paid for with post-tax dollars. Lifetime learning credits (LLC) of up to $2,000 per return (20% of the assistance provided up to $10,000) may also be available if they were paid directly to the institution. The LLC is calculated like the AOTC, but unlike the AOTC, the LLC is not refundable.
4. ***Estimate investments and capital gains****-*Go over your capital gains and investment income for the year. Predict what the taxes are likely to be and see if you need to make an impact on the total before year-end with some strategic sales or donations.
5. ***Take advantage of employer assistance on student loans****-*As a final note on this 2021 tax preparation checklist, if your employer offered assistance with student loan payments, you can [exclude up to $5,250](https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employers-student-loan-assistance-tackles-the-college-debt-crisis.aspx#:~:text=The%20Consolidated%20Appropriations%20Act%2C%202021,up%20to%20%245%2C250%20through%202025.) of those payments from your gross income.

### Expect delays

Even though it is prudent to start preparing now, remember that the IRS is still processing a lot of leftover tax returns from 2020. So, don't be surprised if any refunds you expect are slow in coming to you. As of June 30, 2021, the IRS still had more than [35 million](https://www.cnbc.com/2021/06/30/the-irs-has-35-million-unprocessed-tax-returns-from-2021.html) outstanding tax returns, nearly triple the number at the same time in 2020.

### Get help with this especially hard tax year

No matter how you look at it, tax planning for this year is challenging. Hard and fast rules are now fuzzy like, income isn't necessarily income and there are itemized deductions for those who don't itemize. The best way to make sure you won't have trouble with your 2021 tax preparation checklist is to get help.

The professionals at [Company Name] can work with you and your tax professional to help ensure your retirement plan and income are in a good tax situation going forward. [Contact us](https://fta-ria.com/contact/) today to learn more about how we can help you prepare and improve your financial wellbeing.

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