

MESSAGE from the PRESIDENT

Dear Members,



I'M SURE I'M NOT ALONE IN FEELING LIKE TAX SEASON IS JUST AROUND THE CORNER AGAIN.

I spend my post tax season and summer doing as little as possible in the office and as much as possible outside with my family. *What else is summer for?* As August comes to a close, my pace at the office quickly picks up to finish off the last of my extended business returns, while thoughts of the remaining individuals to be completed next settle in. I begin to think about the upcoming holidays, family gatherings, remaining education, year-end tax planning meetings, and tax season supply orders. It's easy to get ahead of ourselves and begin to feel overwhelmed. *Don't let that happen!* Do spend a few hours reflecting on the last tax season and consider what helpful changes you can make for the upcoming year. Don't spend a few hours speculating on what problems we might face next. While I love the motto, "if it isn't broken, don't fix it," just remember that no good inventor ever said that and there is always room for improvement!

Since the National Conference ended up being canceled, I hope you were able to attend and benefit from **TaxCon**. While the aspect of camaraderie cannot be matched online, there are plenty of benefits to be found through online education. While certainly not ideal, I was able to attend some of my favorite sessions by cell phone, in the car, and on vacation with my family. I'll chalk that up in the pro column for online education!

We look forward to seeing you at the **Forums** in Atlantic City on **September 28th** and **29th**. It's not too late to sign up, and, if you do, make sure to put our Chapter's welcome back party the night of the 28th on your calendar! Come socialize with local colleagues and maybe win a door prize or two. If you're not able to join us then, your next opportunity will be on **October 7th** at our chapter's **Annual Conference and Meeting** at Harrah's in Atlantic City.

If the last year and a half of canceled and rescheduled events across the country hasn't tipped you off, please know that planning these educational event's is a real challenge with much of it beyond our control. Your chapter leaders spend a lot of time discussing and planning our educational offerings, always with you in mind! We are working closely with National to offer you on-demand recordings of past and current education, so stay tuned for further announcements on that topic.

If you have the pleasure of meeting one of our wonderful chapter leaders, remember to thank them for donating their time to help others and their profession. If you don't agree or don't feel that's appropriate, then consider the alternative, which is to give me a call and I'd love to hear your thoughts and opinions. I'd also love to explain how you can help or join the board!

Good luck with your remaining extensions and I look forward to seeing you at our next event.

Joshua C. Melum, EA

Josh has been a member of NATP since 2012 and is the owner of JCM Tax Service, located in Cream Ridge, NJ. He received his EA designation in 2014 and joined the NJ Board of Directors in 2015. When not working, Josh will be found spending time with his wife and three children, Charlotte, Mason, and Freya. He can be reached at josh@jcmtaxservice.com.

save the DATE

THURSDAY, OCTOBER 7, 2021

**NJNATP ANNUAL CONFERENCE
IN- PERSON!!!**

HARRAH'S IN ATLANTIC CITY

SPEAKER: Kathryn Keane, EA

**TOPICS: Recapture of Education Tax Breaks
Injured & Innocent Spouse
Form 1041: A Primer
Special Tax Conditions: Flippers,
Airbnb, etc**

FRIDAY, DECEMBER 3, 2021

**2 hour WEBINAR
and LEADERSHIP MEETING**

Time and Topic TBD

SATURDAY, JANUARY 8, 2022

**FAMOUS NJ STATE TAX SEMINAR
Live Webinar -**

*Chapter is trying to also offer On Demand
Topics TBA - will be published in the flyer
and next newsletter*

TABLE OF CONTENTS

- Message from the President
- Save the Date
- From the Editor
- Opinion: The Past Two Years
- NJCPA Ovation Award
- NATP Annual Conference and Meeting
- Real Estate Professionals: Hundley Advisors
- Reminder About the Senior Freeze and Resuming Eligibility
- Remember IRS Letter Number 6419!
- Welcome Back Party!

From the Editor

BY JEAN MILLERCHIP, EA



HERE WE ARE, PAST LABOR DAY AND HEADING RIGHT INTO OCTOBER! This is time of year that we like to call "local summer"- the September and October weather are so beautiful here at the Jersey Shore (barring hurricanes); it's not crowded, the ocean is warm, although this year, the riptides are extremely serious.

Now, we work towards the October extensions, and hope that all their tax information will be complete. Always a challenge, but we just love that, don't we?? And, now is the time to move ahead with our **Continuing Education credits**, because, before we know it, it will be January! If you attended **TaxCon** in August, I'm sure you found it to be an excellent virtual event. So many interesting and pertinent topics, well presented by our instructors. It obviously is not the same as an in person **National Conference**, without the networking and greeting old friends, but, educationally, it excelled. The **Tax Forum** at Harrah's in Atlantic City is **September 28-29th**, with a **Welcome Back party** on the 28th. The **1040 Updates** are scheduled at 6 locations in New Jersey, throughout November, with the very latest legislation affecting the upcoming season. Check the NATP website for dates and locations.

The flyer for the **NJNATP Annual Conference**, on **October 7th**, is a part of this newsletter. Please make sure to register as soon as possible, if you haven't already. As an in person event, we do have to abide by social distancing.

Don't forget to read the article in this newsletter regarding **Letter # 6419**. It will be a very important piece that you will need to see, for any taxpayer who received the **Advanced Child Tax Credit** during 2021. And, of course there will be the reconciliation of the 3rd stimulus payment that was received in 2021. When I send out my taxpayer letter in late December I will emphasize the necessity of receiving this information. We all know how many clients received correction letters this year, due to changes in economic stimulus payments, *Wasn't that fun?*

We are always looking for new topics to present at either our webinars or (hopefully) more in person events, and our **Education Chair, Alyce Taylor**, really would welcome new suggestions. The webinars we offer are usually 2 hours, so an interesting tax or practice management topic would be able to be covered in that time. **Alyce's** contact information is on the back page of the newsletter.

As you could see by the education events on the first page, the **January 8, 2022 NJ State Seminar** is going to be a live virtual event, as it was in 2021. It did work very well in 2021, and because of the large volume of attendees, it is difficult to get a location with a large enough room, at least until COVID restraints are lifted. Flyer to be put out soon.

Try to enjoy what summer and early fall have to offer. Remember how important family time is – I have cherished the time spent with my kids and grandkids this summer. Our tax practices and our clients are very important, but family is number one. Going through the COVID pandemic in 2020 and 2021, as well as marking the 20th Anniversary of 9/11 really puts life into perspective. Stay safe and healthy, my friends.

Until next time.....

Jean Millerchip, EA has been in the tax business for 45 years and is in private practice in Lavallete, New Jersey. She earned her EA license in 1985. Jean has been a member of NATP for 31 years, and served on the NJ Board of Directors from 1991 until 2009, in various positions, including Treasurer, Secretary, Vice President and President. In 2008, Jean was elected to the National Board of Directors, and served a full 9 year term, during which she served as the National Vice president for 5 years and the National President for 2 years. Jean can be reached at jean.millerchip@gmail.com.

NJ TAX TIP OF THE QUARTER

FALL, 2021

BY MARILYN H. AYERS, CPA



I HOPE YOU ARE ALL WELL AND SURVIVED A VERY DIFFICULT TAX SEASON.

I hope you are all well and enjoyed your summer. Unfortunately, tax season just seems to linger on, doesn't it? This fall we faced the September 15th deadline for our partnerships and S-corporations and now we are on to our individual extensions and corporate returns for all those procrastinators! There are a few updates for NJ that were either clarified during the past few months or are part of our new budget passed July 1, 2021.

- **CORONAVIRUS RELATED PENSIONS DISTRIBUTIONS** – NJ updated their guidance on these distributions and announced it will follow federal guidelines and timeframes for qualified rollovers for tax year 2020. The Division is flexible in reporting CRD distributions. They can be reported over the three- year rule or in full in the year of distribution.
- **TELECOMMUTING AND NEXUS RULES** – NJ will temporarily waive sales tax and employer withholding tax requirements due to the pandemic. Nexus will be waived if seller/employer did not maintain any physical presence in NJ and the employee works from home due to the pandemic. This waiver will no longer apply after October 1, 2021 and the pre-pandemic guidelines will be reinstated.
- **RETIREMENT INCOME EXCLUSION FOR 2021** – The new budget passed July 1, 2021 introduced a partial pension exclusion for 2021 for resident taxpayers whose income is greater than the prior limits of up to \$100,000 for a married filing joint return. New gross income limits will be used to exclude part of pension income received for those taxpayers 62 years of age and older up to \$150,000. Our January Famous NJ Tax Seminar will include this additional information. Stay tuned for additional information.
- **\$500 TAX REBATE CHECKS** – NJ will follow federal guidelines and timeframes for qualified rollovers. The Division is flexible in reporting CRD distributions. They can be reported over the three- year rule or in full in the year of distribution.
- **VICTIMS OF HURRICANE IDA TAX RELIEF** – NJ will temporarily waive sales tax and employer withholding tax requirements due to the pandemic. Nexus will be waived if seller/employer did not maintain any physical presence in NJ and the employee works from home due to the pandemic.

There is more information on the NJ Taxation website that you might find helpful if any of the above situations impacted your clients.

Marilyn graduated from Rider University in June 1978 with a degree of Bachelor of Science in Accounting and earned her CPA license in 1990. Marilyn's practice, established in 1988, provides tax and accounting services to approximately 900 individual clients and businesses, where service is the number one priority. Marilyn has been a member of NATP since 2000 and served on the New Jersey Board of Directors from 2004 through 2016, including secretary, vice president and past president of the New Jersey Chapter. Marilyn is also a member of the AICPA and the New Jersey Society of CPAs.

AFTER THE PAST TWO TAX SEASONS, IF YOU HAVEN'T ASKED YOURSELF WHY DO I CONTINUE TO PREPARE TAX RETURNS, THERE'S A GOOD CHANCE YOU EITHER READ THE TAX CODE COVER TO COVER WEEKLY OR CAN ADJUST TO A CHANGING ENVIRONMENT FASTER THAN A CHAMELEON CHANGES COLOR (AS FAST AS 20 SECONDS BY THE WAY).

All kidding aside, tax season 2020 (2019 tax year) started off in somewhat typical fashion. In fact, most of us were just beginning to feel comfortable with **The Tax Cuts and Job Act of 2017**, which we lamented over when preparing 2018 return. Heck, we were seasoned veterans at that point.

Then wham, Covid-19 takes over the world and within 48 hours (March 14-16, 2020) we essentially close our offices to any in person appointments. We'll assist employees with telecommuting arrangements, whether by choice or necessity; disinfect our offices and spray every piece of mail with Lysol; realize the client portals we've put in place really are a good idea; and educate ourselves on stimulus payments and PPP. Oh, and best of all, now our tax season is all year long. July might as well be December since we need at least 6 months recovery time after efilings that last 1040.

Now fast forward to tax season 2021 (2020 tax year). We at least knew many clients had gotten a stimulus payment in March or April of 2020 and we had already responded to, and for most part resolved any client inquiries about them. However, we obviously needed more confusion, as a second stimulus

payment was made, for the most part, in early January 2021 but that needed to be reflected on the 2020 tax return. You know it gets better as the third (and apparently largest stimulus payment) was issued to our clients almost before they had their 2020 W2s. The catch on this one is that it was for 2021.

It wouldn't be fair not to say how much fun it was to learn, almost 3 months into the tax season, that up to \$10,200 of unemployment benefits per taxpayer could be excluded from income (if meeting certain income requirements). Also, 3 months in, we find out that any advance healthcare premium credit did not need to be paid back. The only silver lining is we did not need to file the amended returns. Although that may have been easier than trying to respond to clients who called wanting to know why they just received a direct deposit in the bank account from the IRS.

Still want to be in the tax preparation business? Well, yes, in my opinion, but not just because we survive on aggravation, changing rules, and communicating the complex to the everyday Joe. Our profession first of all is still very well respected and vital to ensuring taxpayers understand tax regulations and why we need them. Additionally, I believe we chose this profession because we truly want to help others. Like a good mechanic or doctor, many people rely on our knowledge and skill to help them though a part of their life. Our clients don't need to know what we go through to be able to help them, but we do need to help them. **Bring on 2021 returns!**

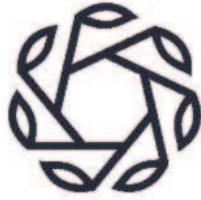
JOSEPH WISNIEWSKI, CPA

Partner at Premier Accounting Services, PC

Joe has always been cited as one of the main reasons why students have gone on to pursue an accounting career. For the past 12 years, Joe has volunteered to talk to high school accounting classes. His passion and enthusiasm for the accounting profession along with his career insight are greatly appreciated by the students.

—THE ABOVE WAS WRITTEN BY THE NJCPA SOCIETY

The NJ Chapter wants to congratulate Joe on the well deserved **NJCPA Ovation Award**. Since Joe was elected to the NJ Board of Directors, he immediately became very active, serving on committees, and actively participating in each Board meeting. Joe has served as Treasurer for 2 years, and is currently serving as Secretary.



NJCPA
OVATION
AWARD

2021 IMPACT



IN RECOGNITION OF EXEMPLARY
EFFORTS AND STELLAR ACHIEVEMENT
IN ADVANCING NEW JERSEY'S
ACCOUNTING PROFESSION

JOSEPH WISNIEWSKI, CPA
PREMIER ACCOUNTING SERVICES, PC

The Impact award recognizes those who dedicate meaningful time and energy to any of the following commendable endeavors: giving back to the community; sharing professional expertise to support others; or advancing the interests and needs of the accounting profession through active engagement, leadership or advocacy.



Congratulations, Joe!

The NJ Chapter and all its members are very proud of you!!



The New Jersey Chapter
National Association of Tax Professionals

Annual Conference & Meeting Thursday October 7, 2021

Harrah's Resort, Atlantic City, NJ



7:30am — 8:00am - Registration/Sign-In

Continental Breakfast

8:15am — 9:55am - Recapture of Education Tax Breaks

10:05am — 11:45am - Injured & Innocent Spouses

Lunch On Your Own

1:00pm — 1:30pm - NJNATP Annual Meeting

1:30pm — 3:10pm - Form 1041: A Primer

3:15pm — 4:55pm - Special Tax Conditions

Join The NJ NATP Chapter

For Our

Annual Conference & Meeting

With Education Presented by

Our Dynamic Colleague from New York

Kathryn Keane, EA!!

Electronic materials provided free of charge.

A secure link to a copy of the materials will be sent up to 3 days in advance.

Printed materials will be available for a \$35 fee (pay at registration/pick up on site).

Harrah's will charge a \$5 parking fee unless you are staying at the hotel overnight.

8 CPE CREDITS

Members: \$275 (\$245 register by 9/27)

Non-Members: \$330 (\$295 register by 9/27)

Cancellation after 10/04: \$25

Attendees will be responsible for reporting their CE credits in accordance with their respective reporting requirements. To ensure the integrity of this program, attendance will be periodically monitored for late arrivals or early departures and credits will be adjusted accordingly. NJ NATP is registered as a sponsor of Continuing Education for the Internal Revenue Service (Sponsor #458) and the NJ State Board of Accountancy (Sponsor #531) which has final authority on the acceptance of individual topics for CE credit. This program qualifies for 8 CE Credits for EAs under Treasury Department Circular 230, Section 10(g) and 8 CPE Credits under New Jersey AC 13:29-6.7. Each credit is based on a 50-minute credit hour. Field of Study: Federal Tax Law Topic. Prerequisite: None. Level of Knowledge: Basic.

Real Estate Professionals



Ethan J Hundley, CPA, CTC
Hundley Advisors, LLC
1 Mill Ridge Lane
Suite 201A
Chester, NJ 07930



Tax Benefits

If you who spend significant time in activities related to real estate you may qualify as a “real estate professional,” which can provide tax benefits.

Passive Loss Limits

A passive activity is generally defined as a business activity without a minimum amount of “material participation” by the taxpayer. A taxpayer is not allowed to deduct losses from passive activities in excess of income from passive activities. Any unused losses from passive activities must be carried forward until there are gains from passive activities, or until the passive activities that generated the losses are disposed of.

Special Rules for Real Estate Activities

Under passive loss rules, rental real estate activities are considered passive activities regardless of whether you meet the definition of “material participation.” In other words, for most rental real estate activities, losses in excess of income are not deductible in the year incurred.

Exception for real estate professionals. If you qualify as a real estate professional, passive activity loss limits do not apply to the losses from your rental activities. As a real estate professional, losses may be deducted in the year incurred even if the losses are greater than income.

Qualifying as a real estate professional. You will qualify as a real estate professional if the following requirements are met.

- 1) More than half the personal services you performed in all trades or businesses during the tax year were performed in real property trades or businesses in which you materially participated, and
- 2) You performed more than 750 hours of services during the tax year in real property trades or businesses in which you materially participated.

Personal services performed as an employee do not count unless you were a 5% or greater owner of the employer.

Real property trades or businesses include development, construction, acquisition, conversion, rental, operation, management, or brokerage of real property.

Material Participation

Material participation is defined as being involved in the activity on a basis that is “regular, continuous, and substantial.” You will be considered to materially participate in an activity if:

- 1) You worked in the activity for more than 500 hours during the year,
- 2) Your participation in the activity constitutes substantially all of the participation in the activity of all individuals for the tax year, including the participation of individuals who did not own any interest in the activity,
- 3) You participated in the activity for more than 100 hours during the tax year, and your participation was at least as much as any other individual for the year,
- 4) The activity is a “significant participation activity” for the year (more than 100 hours participation per activity with aggregate of 500 hours),
- 5) You materially participated in the activity for any five (whether or not consecutive) of the 10 immediately preceding tax years,



Real Estate Professionals

- 6) The activity is a personal service activity and you materially participated in the activity for any three preceding tax years, or
- 7) Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the year. This test is not met if you participated in the activity for 100 hours or less during the year. Managing the activity does not count for this purpose if any person other than you received compensation for managing the activity, or any individual spent more hours during the year managing the activity.

Election to combine rental activities. For purposes of qualifying as a real estate professional, each of your rental activities are treated as separate activities unless you elect to treat all interests in rental real estate as a single activity. Failure to make the election can trigger passive loss limits for real estate professionals that do not materially participate in each activity. To make the election, you must file a statement with your original income tax return declaring that you are a qualified taxpayer for the taxable year and are making the election to treat all interest in rental real estate as a single rental real estate activity. The election is binding for the taxable year it is made and for all future years whether or not you continue to be a qualifying taxpayer. You may revoke the election only in the taxable year in which a material change in facts and circumstances occurs.

Example: Leo is a real estate agent who spends more than 750 hours and more than 50% of his time selling real estate. He also owns several rental properties. As a real estate professional, in order for Leo to treat his rental properties as nonpassive activities, he would either have to pass the material participation rules for each separate rental property or elect to combine all rentals into one activity and meet the material participation rules as a group.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

Copyright © 2021 Tax Materials, Inc.
All Rights Reserved

Court Case: For over 20 years, the taxpayer had been involved in real estate properties. For the years at issue, the taxpayer aggregated all rental income and expenses as a single activity on his tax return, but did not attach an election to treat the activities as a single activity. The Tax Court stated that a taxpayer must clearly notify the IRS of the intent to make the election. Without treating the rental properties as one activity, the taxpayer was not able to meet material participation requirements. Net losses were treated as passive losses, and the deductions were not allowed under passive loss rules. (*May*, T.C. Summary 2005-146)

Special \$25,000 Loss Allowance for Rental Real Estate

Regardless of passive loss rules, you are allowed to deduct up to \$25,000 in losses from rental real estate if you actively participated in the activity. The special loss allowance begins to phase out at incomes above \$100,000.

Married Filing Separately. The phaseout begins at \$50,000 for taxpayers using the filing status of Married Filing Separately. Additional limits apply.

Active participation. Active participation is not the same as material participation. Active participation standards are met if you (or your spouse) participate in the rental activity in a significant and bona fide sense.

You (and/or spouse) must also hold at least 10% by value of all interests in the activity during the year to meet active participation standards.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 72.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.

Reminder about the SENIOR FREEZE, and RESUMING ELIGIBILITY...

THE DIVISION OF TAXATION began mailing out checks for the Senior Tax Freeze to eligible taxpayers around July 15, 2021, but taxpayers still have until November 1, 2021 to file their claim.

To be eligible, the taxpayer must be 65 or older by 12/31/2019; they must have lived in NJ since 12/31/2009. They must have owned a home since 12/31/2016 and still owned and lived in that home on 12/31/2020. Total income cannot exceed \$ 92,969.

On another note, if the taxpayer moved from one NJ property to another and received a reimbursement for the previous residence for the last full year of residency, they may qualify for an exception to re-applying to the Senior Freeze program.

The requirements are similar:

- Age is 65 or older as of 12/31/2019
- Residency- lived in NJ continuously since 12/31/2009
- Must have lived in current home since 12/31/2018 or earlier, and still owned a home on 12/31/2019
- Income cannot exceed \$ 92,969
- Previous eligibility: if the taxpayer moved to a home for which they are filing a 2020 application between:
 - 1/2/2017 and 12/31/2017, they must have applied and been eligible for a 2016 reimbursement and
 - 1/1/2018 and 12/31/2018, they must have applied and been eligible for a 2017 reimbursement.

It goes without saying that in all cases, property taxes for 2019 must have been paid by 6/1/20 and the 2020 property taxes must have been paid by 6/1/21.

REMEMBER

IRS LETTER NUMBER 6419!!

IF YOU ATTENDED TAXCON, you may have heard about the new numbered letter that will be sent to clients regarding the **Advanced Child Tax Credit (CTC)**.

If you remember the difficulty of getting the **Letters 1444** and **1444-B** from your clients, showing the amount of the Economic Stimulus payment that they received, just think!! *We need to do it again!!* In addition to reconciling the **Economic Stimulus** that was received in 2021, we also need to reconcile the **Advanced CTC** on the 2021 returns.

The Letter number is 6419, and will be sent to all clients who received any of the Advanced CTC in 2021. We need to see this letter, in order to know the correct amounts that were received.

In my preseason tax client reminder letter, I plan to write (probably in larger print!) the necessity of seeing that letter, to make the correct reconciliation.

One more thing to look forward to!

Welcome Back Party!

DATE: September 28, 2021

TIME: 6:15 pm

PLACE: HARRAH'S in ATLANTIC CITY

COME TO MEET AND GREET!!

*There will be appetizers, a free drink,
door prizes and more!*

Website: www.njnatp.com or call 609.752.0707

NJ-NATP BOARD OF DIRECTORS 2021

OFFICERS

PRESIDENT
Josh Melum
Freehold
(609) 752-0707

VICE PRESIDENT
Alyce Taylor
Barrington
(856) 546-7201

SECRETARY
Joe Wisniewski
Pitman
(856) 256-0330

TREASURER
Ethan Hundley
Chester
(973) 940-0175

DIRECTORS

Marilyn Ayers
Brick
(732) 477-2281

James Jimenez
Pompton Lakes
(973) 940-0175

Julie Robinson
Brick
(732) 477-2281

Diane Bishop
Bayonne
(888) 858-6218 x2

MaryRose Martino
Cherry Hill
(856) 428-3079

Colette Taylor
Haddonfield
(856) 546-7201

Tom DeTitta
Madison
(973) 845-2470

Gwen Radloff
Rutherford
(201) 438-5162

Tom Watkins
Totowa
(973) 423-0043

Binal Gupta
Parsippany
(973) 917-3103

TELEPHONE DIRECTORY

NJ PRACTITIONER HOTLINE

609-633-6657 for Personal Income Tax
609-633-6905 for Business Tax

IRS PRACTITIONER HOTLINE

For practitioners with POA on file to call
about a specific client problem:
866-860-4259
Tax Law Questions: 800-829-1040

NJ-NATP CHAPTER OFFICE

TEL 609-752-0707
FAX 609-752-0708

INTERNET ADDRESS

NJ CHAPTER
www.njnatp.com
www.natptax.com
Directory of National Members
www.taxprofessionals.com

Tax Book: Promo Code 490 www.thetaxbook.com