

Tax Filing Checklist: How to Prepare to File Your 2021 Income Tax Returns

With the new year comes New Year's resolutions. One you may want to consider this year is filing your income tax returns in advance of Federal Tax Day, April 18, 2022 (May 17, 2022 for taxpayers affected by the Kentucky, Illinois, or Tennessee tornadoes). Remember, the sooner you file, the sooner you will get your refund, if eligible. To effectively prepare, you should get organized as early as possible, including gathering any necessary tax documentation. To help, Morgan Stanley compiled a checklist of steps you should consider as you begin the 2021 income tax filing process. As an additional resource, the IRS has put together a list of [Steps to Take Now to Get a Jump on Your Taxes](#). This year, you **can** get ahead of filing your taxes. Below is a checklist to help guide your preparation.

1. Gather All Relevant Tax Documentation

You should generally receive the following documents around:

The end of January:

- Form W-2:** Income from employers
- Form 1099-NEC:** Income if you are self-employed or worked as an independent contractor, and a business entity paid you \$600 or more in 2021
- Form 1099-B:** Proceeds from broker and barter exchange transactions
- Form 1099-G:** State and local income tax refunds and/or state unemployment benefits
- Form 1099-R:** Distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc.
- Form 1099-S:** Income from the sale of property (e.g. original cost, cost of improvements)
- Form SSA-1099:** Social security benefits
- Form 1098-T:** Education tuition statement from an educational institution
- Notice 6419:** If you received any advance payments for the Child Tax Credit in 2021, you should receive Notice 6419 in the mail from the IRS indicating the exact amount you received in advanced payments

Mid-February:

- Form 1099-DIV, -INT:** Dividends, distributions or interest received

Mid-March:

- K-1s from Partnerships (e.g. MLPs) and Stock Option Information (e.g., Forms 3921 and 3922):** Annual report of a partner's share of the partnership's income, deductions, credits, etc., and information relating to incentive stock option exercises and purchases under a qualified employee stock purchase plan



Additional Documentation Noting:

- Charitable donations and Donor Advised Fund (DAF) contributions
- Business expense records (e.g. receipts, credit card statements)
- Home size, office size, home expenses, and office expenses (among other criteria) if you utilized your home for business purposes and is eligible to apply for the home office expense deduction.
 - **Note:** There are restrictions regarding who can qualify to utilize the home office deduction. Employees who receive a paycheck or a W-2 exclusively from an employer and have been working from home due to COVID are not entitled to claim an itemized deduction for home office expenses
- Income and expenses related to rental property
- Mortgage Interest Deductions for qualified residence loans
- Taxable alimony received (applicable to divorces finalized before 01/01/2019)

2. Reflect on Any Life Changing Events

- Marriage, divorce, children, home purchase or sale, death, and job changes can all impact a tax return and should be reviewed to ensure appropriate information is disclosed, including tax filing status

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Tax Filing Checklist: How to Prepare to File Your 2021 Income Tax Returns (continued)

3. Review 2020 Income Tax Returns

- Note any carryovers applicable to tax year 2021 (i.e. capital loss carryovers (found on Schedule D), net operating loss carryovers (found on Schedule C), charitable contribution carryovers (found on Schedule A)) Review Form 1040 to assess whether the IRS was overpaid in 2020 and if any refund was applied to the 2021 tax year
 - **Note:** *If you chose not to receive a refund in 2020, you can apply the overpayment credit from that year against your 2021 tax liability*

4. Assess Deduction Expenses

Possible expenses you may be eligible to deduct include:

- State and local taxes (up to \$10,000, including property taxes as of 1/1/2021)
- Retirement account contributions (see Morgan Stanley's 2021 Federal Income Tax Tables [[LINK to Tax Tables on the Ms.com Tax Center](#)] for contribution limits)
- Student loan interest used to pay for qualified education expenses (up to \$2,500, subject to income limitations) Medical bills (limited to expenses that exceed 7.5% of one's Adjusted Gross Income)
- Classroom expenses incurred by teachers (up to \$250 for an individual or \$500 if married filing jointly and both spouses are eligible educators)

5. Examine Potential Income Tax Credits

Depending on your circumstances, tax credits may be more valuable than tax deductions as they provide a dollar for dollar reduction to taxes owed including, but not limited to:

- [Advance Child Tax Credit](#)
- [Adoption Tax Credit](#)
- [American Opportunity Tax Credit](#)

6. Consider Whether You Need Tax Advice:

If you have **complex income tax planning needs** you can ask your Morgan Stanley Financial Advisor for a referral to an experienced tax professional in Morgan Stanley's Tax Planning Referral Network. These tax experts from leading U.S.-based providers, Andersen, EisnerAmper, EY, Grant Thornton, KPMG and PwC, can provide comprehensive tax advice to help you keep more of what you earn.

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