



2020

# Tax CUTTING CHECKLIST

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Strategies  
& Actions

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# Use this checklist to help you cut your 2020 taxes

Getting ahead financially is easier if you keep your taxes as low as the law allows. Use this checklist of deductions, credits and tax strategies as a starting point for your 2020 tax planning. Check the items you think may apply to you. Then get the details you need to turn these ideas into tax savings for 2020.



- Hold appreciated investments long enough to get favorable long-term capital gain treatment.
- Consider donating appreciated securities to charity instead of selling the securities and paying the tax.
- Keep accurate, up-to-date records on reinvested dividends to reduce taxes when stock or mutual fund shares are sold.
- Invest in tax-efficient mutual funds.
- Compare after-tax return on investment alternatives, such as municipal bonds vs. corporate bonds.
- Keep investments in the right accounts (i.e., tax-deferred retirement accounts vs. taxable accounts).
- Use a tax-deferred exchange instead of selling an investment property and buying another.
- Net gains and losses during the year to minimize taxable gains.
- If the 3.8% Medicare tax on investment income will apply to you, consider strategies to minimize it.



- Make gifts in 2020. You're allowed to give up to \$15,000 tax-free to as many individuals as you like.
- Review your will and other estate planning documents in light of the current estate tax rules and changes to your personal situation.
- Check your beneficiary designations for needed updates.



## Home and Family

- Tax-free sale of your home.
- Tax credits for each dependent child.
- Roth IRA contributions for working children.
- Consider the \$10,000 state sales, income and property tax deduction limit.
- Multiple support agreement to maximize the tax benefits for shared support of a parent.
- Marriage or divorce planning to minimize taxes.
- Remember to pay Social Security and Medicare tax on household employees to avoid penalties.
- If a family member became blind or disabled before age 26, investigate the tax benefits of establishing an ABLE account.



## Educated Choices

- Deduction for up to \$2,500 of student loan interest.
- American Opportunity Tax Credit for post-secondary education expenses.
- Lifetime Learning Credit for post-secondary education expenses, including job-related courses.
- Education savings accounts to build tax-free college savings (income limits).
- Section 529 plans for tax-free college and K-12 tuition savings (no income limits).
- Education savings bonds for tax-free interest when used for college.
- Take advantage of your employer's educational assistance benefits; generally tax-free up to \$5,250.
- Consider the recently extended Tuition and Fees Deduction.



## In Business

- Expensing election for new or used business equipment purchased in 2020.
- Tax credit for making your business more accessible to the disabled.
- Carryback of current business operating loss to prior profitable years for a tax refund.
- Deduction for home office expenses.
- Like-kind exchange to defer paying taxes when selling business real estate property.
- Deduction for retirement plan contributions.
- Deduction for health insurance premiums self-employed that taxpayer pays for self and family.
- Tax credit for providing child care facilities for employees.
- Tax credit for paying health insurance premiums for employees.
- Entity review to determine if current legal form of operating your business is still preferable.
- Be aware of earlier tax filing deadlines for partnerships and S corporations to avoid penalties.
- Understand how Qualified Business Income (QBI) Deduction applies to you



## On the Job

- Tax credit for child care expenses paid for children under age 13 while you work, seek work or attend school.
- Earned income tax credit for lower-income workers.
- Employer reimbursement for work-related expenses (e.g., specialized work clothes, union or association dues and continuing education costs).



## For Retirement

- Build a tax-deferred retirement fund by maximizing 2020 retirement plan contributions.
- Make a charitable contribution directly from your IRA to a charity if you qualify.
- Consider converting a traditional IRA to a Roth IRA (no income limit).
- Take required minimum distributions (RMDs) from applicable retirement accounts when you turn 70½ (72 after 2019).



## Other Tax Cutters

- File a new W-4 with your employer if –
  - your withholding was too high or too low in 2019.
  - your situation changes in 2020 (new baby, marriage, divorce, etc.).
- Manage income and deductions to take advantage of tax breaks that are subject to income limits.
- Plan for the alternative minimum tax if it could affect you.
- Do the necessary recordkeeping to keep your taxes as low as the law allows.



## Year-End Moves

- Defer a year-end bonus until 2021.
- If a loss is expected in a partnership or S corporation, increase your basis if necessary to be able to take the loss on your 2020 return.
- If you don't have the cash, use a credit card to pay deductible expenses before Dec. 31.
- Combine expenses into this year if doing so puts you over thresholds for medical, or total itemized deductions.

As you do your planning for 2020, stay informed about changes in the tax law. Before making important decisions, contact us for a review of current rules and pending changes. We're here to help you make the choices that will minimize the taxes you pay.



# What's New

Constantly changing tax rules make it challenging to stay informed from one year to the next. Here are some of the key tax numbers you'll need for your 2020 tax planning. For a more complete review, please contact our office.

## PROVISION

## 2020

**Personal exemption** ..... Suspended through 2025

### Standard deduction

- Single ..... \$12,400
- Joint returns and surviving spouses ..... \$24,800
- Married filing separately ..... \$12,400
- Head of household ..... \$18,650

### Alternative minimum tax exemption

- Single ..... \$72,900
- Married, joint ..... \$113,400
- Married, separate ..... \$56,700

### Maximum wages subject to

**Social Security tax** ..... \$137,700

### Social Security earnings limit

- Under full retirement age ..... \$18,240
- Full retirement age ..... No limit

**Top estate tax rate** ..... 40%

**Estate tax exemption** ..... \$11,580,000

**Annual gift exclusion** ..... \$15,000

### HSA contribution limit

- Self only ..... \$3,550
- Family ..... \$7,100
- Additional for 55 and over ..... \$1,000

### Maximum retirement plan contributions

- IRA contribution limit ..... \$6,000
- 50 and over catch-up ..... \$1,000
- SIMPLE deferral limit ..... \$13,500
- 50 and over catch-up ..... \$3,000
- 401(k) deferral limit ..... \$19,500
- 50 and over catch-up ..... \$6,500

### Kiddie tax unearned income maximums

- up to \$1,100 ..... No Tax
- \$1,100 to \$2,200 ..... Child's Tax Rate
- Over \$2,200 ..... Parent's Tax Rate

**Nanny tax threshold** ..... \$2,200