



2020 YEAR-END TAX PLANNING CHECKLIST FOR INDIVIDUALS

Tax professionals and financial advisors always advise getting in the habit of tax planning. A good tax planning strategy can help lower your taxable income and make the most out of your hard earned money. This is especially important in 2020, where the government passed new legislation around Coronavirus pandemic relief through the CARES Act. Some provisions in the CARES Act reversed or temporarily suspended the new tax laws from The Tax Cuts and Jobs Act. Additionally, the recent election will likely impact tax laws in 2021 and beyond, so it is important to take advantage of the tax breaks and provisions while you can in 2020.

While one size definitely does not fit all, this handy check-list can help you get started on the right foot.

GENERAL:

- Double check your withholding status and correct underpayments (catch up if you have underpaid)
- Double check your address on your tax documents (if you have moved)
- Pay estimated tax payments
- Defer income into later years and/or accelerate deductions into the current year
- Claim bonus depreciation for 2020 asset additions
- Determine your tax rate

2020 Tax Brackets and Rates				
Tax Rate	Taxable Income (Single)	Taxable Income (Married Filing Jointly)	Taxable Income (Married Filing Separately)	Taxable Income (Head of Household)
10%	Up to \$9,875	Up to \$19,750	Up to \$9,875	Up to \$14,100
12%	98,76 to \$40,125	\$19,751 to \$80,250	\$9,876 to \$40,125	\$14,101 to \$53,700
22%	\$40,126 to \$85,525	\$80,251 to \$171,050	\$40,126 to \$85,525	\$53,701 to \$85,500
24%	\$85,526 to \$163,300	\$171,051 to \$326,600	\$85,526 to \$163,300	\$85,501 to \$163,300
32%	\$163,301 to \$207,350	\$326,601 to \$414,700	\$163,301 to \$207,350	\$163,301 to \$207,350
35%	\$207,351 to \$518,400	\$414,701 to \$622,050	\$207,351 to \$311,025	\$207,351 to \$518,400
37%	Over \$518,400	Over \$622,050	Over \$311,025	Over \$518,400

Source: IRS

- Choose if you will itemize or take the standard deduction. For 2020, the standard deduction amounts will increase to \$12,400 for individuals and married couples filing separately, \$18,650 for heads of household, and \$24,800 for married couples filing jointly and surviving spouses.

2020 Standard Deduction Amounts	
Filing Status	Standard Deduction
Single; Married Filing Separately	\$12,400
Married Filing Jointly	\$24,800
Head of Household	\$18,650

Source: IRS

INVESTMENTS

- Review Capital Gains or Losses** - If you have realized gains in 2020, look to see if you have any holdings that reflect current losses. Consider selling the losers and offset the loss against the gains.

2020 Long Term Capital Gains Tax Brackets				
Tax Rate	Single	Married Filing Jointly	Married Filing Separately	Head of Household
0%	Up to 40,000	Up to \$80,000	Up to \$40,000	Up to \$53,600
15%	\$40,001 to \$441,450	\$80,001 to \$496,600	\$40,001 to \$248,300	\$53,501 to \$469,050
20%	Over \$441,450	Over \$496,600	Over \$248,300	Over \$469,050

Source: IRS

TAX ADVANTAGED SAVINGS PLANS

The tax benefit to having these plans can be substantial and a great way to lower your taxable income. If you don't already have a tax-favored plan, we strongly advise to consider establishing one. Consider the following strategies with your tax plan:

- Retirement Accounts:** These accounts – such as a 401K, 403(b), or 457(b) plans – are funded pre-tax (tax deferred) by the employee. In 2020, the maximum contribution amount increased to \$19,500 (up \$500 from last year), and the catch-up contribution for employees over 50 also increased by \$500 to \$6,500. Thanks to the CARES Act for COVID-19 relief, there is no required minimum distribution for 2020 and the 10% early withdrawal penalty is waived for coronavirus-related distribution up to \$100,000.
- Maximize Health Savings Account (HSA) contributions** – HSA's offer the most tax advantages: A tax deduction for after-tax contributions, tax-deferred growth, and tax-free withdrawals for qualified medical expenses. HSAs are typically only available with a high-deductible health plan (HDHP). For 2020, the maximum contribution amount for self- only is \$3,550 and \$7,100 for family coverage. The annual “catch- up” contribution amount for individuals age 55 or older will remain \$1,000.
- Use up remaining Flexible Spending Account (FSA) funds:** While the benefit for this plan is tax-deferred funds you can stash for medical expenses, there is a use-it-or-lose-it rule. Contribution limits vary with the plan, but you must use all the funds in the account by the end of the qualified year or you will lose your contributions, so it is important to estimate as closely as possibly how much you think you will need each year. However, dependent FSA accounts (coverage for daycare expenses, etc.) offer roll-over or a grace period. Check with your employer to see which plan they offer.

- **Maximize Section 529 contributions:** These popular plans are funded post tax and no annual contribution limit, but they offer tax-free compounding, which means the longer you hold your money in the account the more time it has to grow. Qualified withdrawals for educational purposes are also tax free.

CHARITABLE CONTRIBUTIONS/YEAR-END GIVING

According to the CARES Act, limits on charitable contributions have been temporarily suspended. If you are using the standard deduction, you can deduct up to \$300 (or \$600 jointly) in addition to your standard deduction; Itemizers can deduct up to 100% of your Annual Gross Income (AGI). A few things to keep in mind:

- Make all charitable donations by December 31, 2020
- Get a receipt if donation is over \$250
- Consider gifting appreciated stocks

If you have itemized deductions, but not more than the standard deduction, consider “bunching” your charitable gifts. Double up on your contributions one year and then none the next. A Donor Advised Fund is a helpful way to accomplish this.

ESTATE PLANNING

- The annual gift tax exclusion remains the same for 2020 at \$15,000. The annual gift tax applies to each individual person you give a gift to. This means that you can give up to \$15,000 to as many people as you want in a given calendar year without impacting your lifetime gift tax exemption.
- This is also a good time to make sure all beneficiaries are current on investments and life insurance policies.

WATCH FOR CHANGES IN TAX LAW

A pandemic and an election year create a lot of uncertainty, and we have seen how quickly a new law can be implemented. While we do not expect change through the end of 2020, being prepared for it is important. Stay tuned to your favorite financial news outlet. Having your tax advisor close is also a good idea.

WE ARE HERE TO HELP!

We know how hard 2020 has been on all of us, and all the changes and details can be overwhelming. Moreover, the tax implications and impacts are vastly different for each of us. Our highly qualified tax professionals can help give you the peace of mind that your tax return is optimized for the best outcome. Visit our website www.tbcn.net to set up a consultation today!