



## 2020 Tax Planning



### Professional services include:

- Tax Compliance
- Audit & Assurance
- Litigation Support
- Estate & Gift
- Succession Planning
- Valuation
- IRS Representation
- Family Foundations
- Bookkeeping & Accounting

Our mission is to provide our clients with exceptional services by taking initiative to be proactive advisors. We pride ourselves in developing tailored strategies to meet the specific needs of our clients.

We have a diverse commercial and individual accounting, auditing, tax and business consulting practice.

Our partners and staff are available to meet the needs of our clients and offer to meet with owners and management periodically throughout the year to discuss plans and to consult on a broad range of financial and business topics.



### Changes to Tax Law for Year 2020

In anticipation of the next tax preparation season, we hope that this newsletter will alert you to changes in the tax laws that may affect your taxes or your friends' taxes. Hopefully, this information on the latest developments and legislative outlook will help you identify areas for further discussion about ways to save taxes and accomplish your estate planning goals.

### IRA / Retirement Plan Changes

The CARES Act provides a waiver of required minimum distributions (RMDs) for defined contribution plans and IRAs for 2020. It also provides that the 10% additional early distribution penalty does not apply to any coronavirus-related distributions of up to \$100,000 made on or after January 1, 2020 and before December 31, 2020. Qualified birth or adoption costs up to \$5,000 per spouse are also now penalty-free if made within one year of the event.

Under the Secure Act, the IRA required minimum distribution age has been increased to 72 and there is no longer an age limit on traditional IRA contributions for those who are still working. Income considered to be compensation for purposes of IRA contributions as been expanded to include stipends and non-tuition fellowship payments for graduate, post-doctoral study or research as well as non-taxable compensation for "difficulty of care" paid to home health care workers.

Inherited retirement accounts with non-spouse beneficiaries must be distributed within 10 years of owner's death if death occurred after 12/31/2019. There are no RMDs during this time frame, but the entire balance must be distributed after 10 years. Exceptions are granted for certain types of beneficiaries, so planning opportunities exist with regard to naming your beneficiaries that were not previously feasible. Contact your tax preparer to discuss your options.

### Other Changes

- The 60% AGI deduction limitation was removed. For 2020 only, the limitation is 100% of AGI for cash donations directly to 501(c)(3) organizations. No connection between the contributions and COVID-19 activities is required.

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### Executive and Family Office Accounting Services

For some businesses and family groups, a fulltime financial accounting specialist may not be practical. We provide a solution: services at your residence or corporate location tailored to meet your needs.

- **Bookkeeping** - from after-the-fact reconciliation of bank statements and recording of transactions to drafting and executing checks, tracking accounts receivable/payable, receiving payments and making deposits for our clients
- **Tax & Payroll Services** - state sales tax reporting, household and corporate payroll services including employee check, monthly reporting, and annual W-2, 1099s, 940 & 941 as well as worker compensation deposits
- **Other Services** - Property management assistance

- A \$300 above-the-line deduction for cash donations was added for 2020 for taxpayers who do not itemize.
- Section 529 education savings accounts may now be used for costs associated with apprenticeships, homeschooling, up to \$10,000 of student loan repayments and for private elementary, secondary or religious schools.

### Annual Tax Planning

- For 2020, the standard deduction is \$24,800 for married individuals filing a joint return, \$18,650 for head-of-household filers, and \$12,400 for all other taxpayers. For two married people, both over 65, the standard deduction is \$27,400.
- The annual gift tax exemption remains at \$15,000. A gift greater than this amount to any one individual requires a gift tax filing; however, there is no tax due on gifts until all cumulative amounts during your lifetime exceed the estate tax exemption, which is now \$11,700,000.
- The IRS mileage rates are now 57.5 cents per business mile and 17 cents per medical mile. The charitable mileage rate remains 14 cents per mile. Those who use their car regularly for business should keep a written log to document mileage. An easy way to log your starting and ending mileage is to record your odometer reading on New Year's Eve.

### Post-Election Tax Planning

The upcoming elections could set into motion future income and estate tax changes. As of today, it is impossible to predict when and how these changes will occur. Our firm will continue to monitor the campaign tax plans in order to provide advice pertaining to each individual taxpayer's situation.




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*This annual Tax Planning Letter is being sent to you to encourage you to utilize all the opportunities the tax law provides to minimize your 2020 taxes as well as offer suggestions for longer range planning. If you are interested in a tax planning appointment, please call our office to discuss these matters further. These updates are as of October 30, 2020.*