

2020 YEAR-END TAX PLANNING IDEAS

- **Review your investment portfolio to determine if any stocks should be sold before year-end to generate a capital loss to offset capital gains already recognized on other sales during 2020.**
- **Consider deferring income into 2021 and accelerating deductions into 2020 to reduce your 2020 taxable income, if you think your tax rate will be the same or lower next year.**
- **If you need new equipment for your business, consider buying it and placing it in service by year-end to take advantage of the business property expensing option available this year.**
- **Be sure to maximize the contributions to your retirement plan for 2020.**
- **If you participate in a Health Savings Account, you should consider fully funding your contributions to your Health Savings Account for 2020.**
- **Consider converting a portion, or all, of your traditional IRA into a ROTH IRA in 2020. This strategy is especially beneficial if you will have a low amount of taxable income in 2020 or you expect to be subject to a higher tax rate in the future.**
- **If you are planning on making a large charitable contribution, consider gifting appreciated property you have held for more than one year instead of cash. You may be able to deduct the fair market value of the property donated and you do not have to pay tax on the gain.**
- **If your child has worked during 2020 and has earned any wages, consider setting up a ROTH IRA for your child. Up to \$6,000 (depending upon the amount of your child's wages) can be contributed into a ROTH IRA for 2020. The contribution for 2020 must be made by April 15, 2021. This money can grow tax-free for your child.**
- **Consider funding a Section 529 Plan for a child or grandchild. These plans allow funds to grow tax-free if they are used to fund the child's or the grandchild's qualified educational expenses.**
- **Due to the CARES Act, you do not have to take a required minimum distribution (RMD) from your IRA or other retirement accounts in 2020.**
- **The standard deduction is now much larger than it used to be. Many tax deductions are now limited or no longer deductible. This may eliminate the tax benefit for many itemized deductions you have claimed in the past. Consider bunching deductions from multiple tax years into a single tax year in order to exceed the standard deduction amount. A donation to a donor advised fund may help you accomplish this goal.**
- **If you bought a new home in 2020 that is to be used as your personal residence, then you should be sure that you timely file for homestead exemption and also determine if you should apply for portability. These provisions could provide you significant savings in your real estate taxes.**
- **Consider cleaning out your closets and donating your used clothes, furniture, and other household items to charity by December 31, 2020. You should also get a receipt for each donation.**

These are just some of the year-end steps that can be taken to save taxes. Please contact us if you have any questions related to any of these ideas or if you would like us to review your specific tax situation for additional tax planning advice.