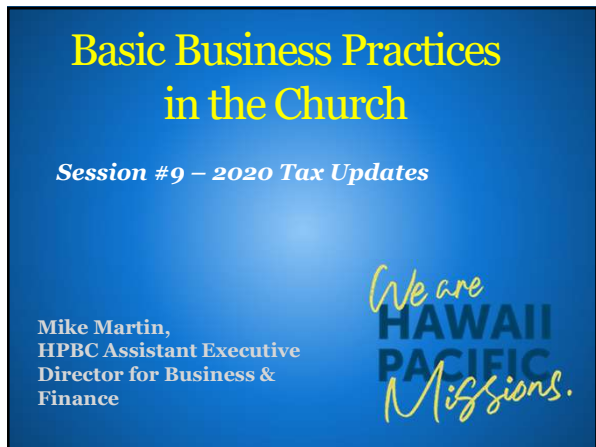




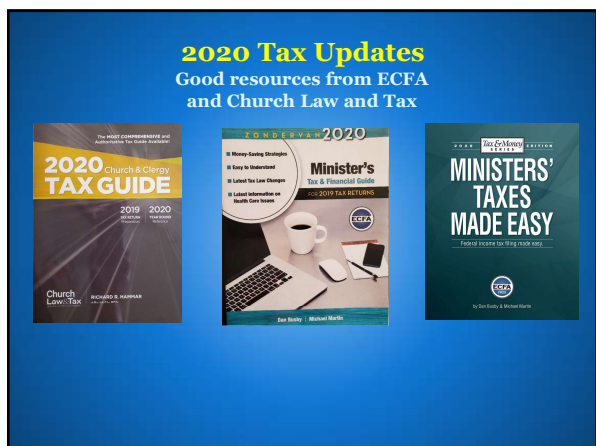
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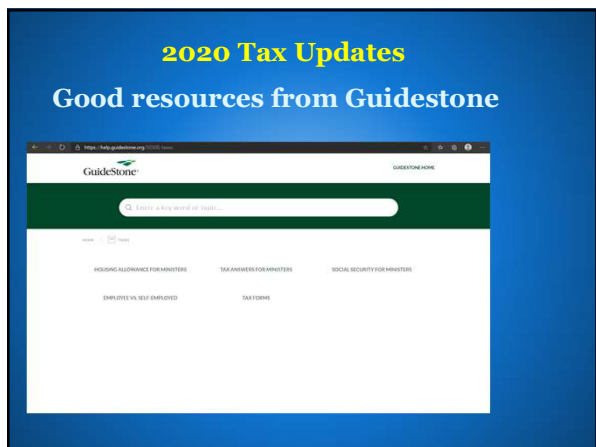
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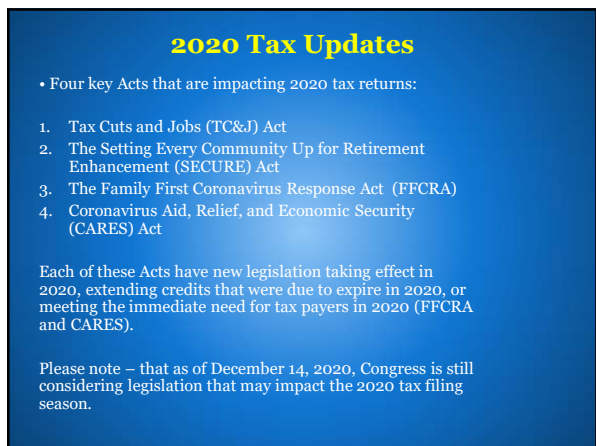
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2020 Tax Updates

- Due Date for filing a 2020 return is Thursday, April 15, 2021.

There are **seven** federal individual income tax rates for tax year 2020: 10%, 12%, 22%, 24%, 32%, 35%, and 37%

Tax Rates are dependent upon **taxable income** and **filing status**

Standard Deduction for 2020, S (MFS) – 12,400, MFJ (QW) – 24,800 and HOH – 18,650

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2020 Tax Updates

Compensation received on a W-2 from employer – you should receive your W-2 by January 31

Compensation as a non-employee (independent contractor) will be received on a 1099-NEC (new for 2020). If you receive one, it is due to be mailed out by January 31.

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2020 Tax Updates

Tax Cuts and Jobs (TCJA) Act –

A key provision of the 2017 TCJA eliminated the personal exemption (and changed the W-4 for withholding federal income taxes from a paycheck).

Standard deductions essentially doubled by encompassing the old standard deduction and adding the personal exemption.

The dependency exemption is reduced to \$0 from 2018-2025.

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2020 Tax Updates

The Setting Every Community Up for Retirement Enhancement (SECURE) Act – identified issues associated with retirement.

Repealed of maximum age for traditional (Individual Retirement Account) IRA contribution. Starting in 2020, eliminated the 70 ½ age limit for making contributions to traditional IRA. No age limit for contributions to a Roth IRA.

A qualified charitable distribution (QCD) can be made by a taxpayer who is age 70 ½ or older.

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2020 Tax Updates

Penalty-free withdrawals from retirement plans for individuals in case of birth of child or adoption –

Beginning in 2020, a taxpayer can withdraw up to \$5,000 from IRA or workplace defined contribution plan for the birth or adoption of a child with incurring the usual 10% additional tax on early distribution. Distribution must be made within one year after the event and cannot be from a defined benefit plan.

Required minimum distribution (RMDs) – Changed from 70 ½ to 72 for taxpayers turning 70 ½ after Dec. 31, 2019.

Expansion of Section 529 Plans – More expenses now qualify for tax-free and penalty-free withdrawals from a qualified tuition program, also known as a 529 plan.

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2020 Tax Updates

The Family First Coronavirus Response Act (FFCRA) – created two new credits

Credit for sick leave for certain self-employed individuals. Eligible self-employed individuals are allowed a credit for an amount to the qualified sick leave equivalent amount.

Credit for family leave for certain self-employed individuals. Eligible self-employed individuals are allowed a credit for an amount equal to 100% of the qualified leave equivalent amount.

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2020 Tax Updates

Coronavirus Aid, Relief, and Economic Security (CARES) Act – the last and most important of 2020.

This Act made some sweeping changes based upon the pandemic situation with taxpayers.

The following items are some highlights from this Act in May:

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Recovery Rebates (Stimulus Payments)

- A one-time rebate is an advance refundable credit against your 2020 taxes.
- Eligibility is for all US Citizens with adjusted gross income (AGI) up to 75,000 for single (112,500 for Head of Household, and \$150,000 for Married Filing Joint) with exceptions (i.e. – not claimed as a dependent on another tax return).

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Recovery Rebates (Stimulus Payments)

- Phaseout. The phaseout decreases by \$5 for every 100 that your AGI exceeds the phaseout threshold.
- For most who have filed your 2018 or 2019 tax return, no action is required.
- Most received their stimulus payment, however, if you didn't or had a change with dependents, you may be eligible for additional recovery rebate.

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Recovery Rebate Credit

The image shows a screenshot of the Recovery Rebate Credit section of a 2020 tax return form. It includes various input fields for the taxpayer's name, address, and Social Security Number. The form also displays the calculated credit amount and the amount of tax liability. At the bottom, there are instructions for the taxpayer regarding the credit and how to claim it.

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Retirement Plan Distributions COVID-19-related distribution.

The 10% early-withdrawal penalty is waived for COVID-19-related distributions up to \$100,000 from qualified retirement plans or IRAs.

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Retirement Plan Distributions

A COVID-19-related distribution is:

1. one made during the 2020 calendar year
2. to an individual who is diagnosed with COVID-19 by a CDC-approved test,
3. whose spouse or dependent is diagnosed with COVID-19,
4. or who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced,
5. being unable to work due to lack of childcare due to COVID-19,
6. or closing or reducing hours of a business owned or operated by the individual.

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Retirement Plan Distributions

Any income from an early withdrawal can be included in income ratably over a 3-year period.

The withdrawn amount can also be recontributed over three years without regard to annual contribution limits.

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Retirement Plan

Retirement plan loans. Plan loan limits are increased from \$50,000 to \$100,000 and loan repayment may be delayed up to one year.

Required minimum distribution (RMD). RMDs are waived for calendar year 2020.

If you are currently taking RMDs, you are not required to do so for 2020. This also includes your first RMD, which you may have delayed from 2019 until April 1, 2020.

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Charitable Contributions

New deduction. Beginning in 2020, a new above-the-line deduction up to \$300 is available for individuals who do not itemize deductions.

Limitations. For 2020 only, the 50% AGI limit for cash donations by individuals is suspended.

If you itemize, you may deduct cash contributions up to your AGI. Any excess contribution amount may be carried forward.

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Other Items

Health Savings Accounts (HSA).

Over-the-counter (OTC) medicines. Beginning in 2020, OTC medications may be purchased with HSAs, flex spending arrangements (FSAs). This includes pain and allergy relief medications without a prescription.

Unemployment

Student Loans

Forebearance of Mortgage Payments

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Reminders

Evaluate your lifestyle and the tax implications (i.e. - job, family, church, personal goals, future goals, etc.)

Educate yourself on items that affect your stewardship of your resources. Be prepared to learn. Think both short and long term.

Seek professional assistance. Develop trust and a relationship with someone who is a tax professional (develop the right questions to ask - it is your finances, not the tax preparer)

Prepare for the future using our tax code.

Understand every family is unique in filing their tax return. No two families are the same and have the same exact tax situation.

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