
YEAR-END TAX PLANNING CHECKLIST

Here are a few changes that could change your tax structure for 2020.

Individual planning opportunities

- Did you collect unemployment?** If so, it is taxable and even if you requested withholding, very little was taken out of your check.
- Did you take a required minimum distribution (RMD) this year?** If not, maybe we should discuss taking a distribution anyway. Just because RMDs were not required doesn't mean it's not a good idea to take one.
- Do you make charitable contributions?** If so, let's talk about making your charitable contributions directly from your IRA to the charitable organization. There are some tax benefits here, which many people are unaware of.
- Did your family situation change this year or your income drop?** New baby, marriage, divorce, etc.? You may be entitled to an increased economic impact payment.
- Did you compute your withholding prior to June this year?** You definitely need a withholding check if you had any changes in your income: layoff, pay cut, unemployment, paid sick or family leave, bonuses, a distribution from an employer 401(k), stock, or other plan.
- Do you have a large unexpected increase in income this year?** If you are charitably minded, let's talk about a donor advised fund, where you can make a large contribution now and distribute it to your favorite charities in the following years.
- Do you have health insurance?** Beginning in 2020, California assesses a shared responsibility penalty for not having health insurance; and there is a premium credit for low and middle income taxpayers that may create a refund or a balance due. We need to consider this in our planning.
- Are you planning to move out of California?** Let us help you make your exit as tax efficiently as possible.
- Have you been driving for DoorDash, Grubhub, or any other app-based delivery service?** Even if Proposition 22 passes, you will have income to report.

Business planning opportunities

- Did you take a PPP loan?** If so, it's IMPERATIVE that we start the process of determining your loan forgiveness. Please make an appointment immediately so we can help you get the necessary information together.
- Did you maintain your employee count or rehire workers after a layoff?** If so, we can compute your tax credits now and maybe reduce your withholding.
- Did you reduce payroll taxes to offset certain payroll costs or postpone payment of payroll taxes?** Let's make sure you aren't in for a bad surprise when everything is finalized.

- Do you expect a business profit this year?** The §199A business deduction is still good for this year. Let's make sure we maximize the deduction in case it might disappear next year.
- Did you have a net operating loss in 2018 or 2019?** If so, you may carry that loss back for five years and get a refund of taxes paid in those years. There is a December 31, 2020, deadline for a quick refund, so let's talk right away about whether it's better to carry back or carry forward.
- Did you make improvements to real estate in 2018, 2019, or 2020?** If your improvements meet the definition of qualified improvement property, a new tax provision enacted this year allows us to retroactively deduct the cost of the property right away. Let's discuss the benefits of filing amended returns for 2018 and 2019 and plan for claiming the deduction for 2020.
- Will you rehire or increase your employee headcount in the last quarter of 2020?** If so, California just enacted a new hiring credit that can give you \$1,000 per full-time equivalent employee increase. But you must apply between December 1, 2020, and January 15, 2021. Let us help you get this valuable credit.
- Do you have California net operating losses you plan to use this year?** If so, California may not allow that loss if your net business income is over \$1 million. Let's see what we can do to push some of that income into 2021 and enable the use of the NOL.

Other planning ideas

There are a number of planning techniques that are time-honored, and these include things like:

- Gifting appreciated assets;
- Bunching deductions to maximize the benefit;
- Accelerating or deferring income and deductions;
- Marriage and divorce issues: Is it better to marry/divorce before or after the end of the year?
- Disposing of stock before the end of the year to generate losses to offset gains, or to generate income to offset large losses. Did you know you can buy the stock back if you sell at a gain and you still own the stock?
- For California, plan registration and dissolution of corporations and LLCs to avoid an extra \$800 payment.