



LAST CHANCE TO REDUCE 2020's INCOME TAXES

Presented By
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With over 20 years of experience, Jim assists all types of clients with their financial planning and investment needs. Jim's extensive skill set includes providing financial advice to retirement-focused clients, medical and dental practices, and businesses.

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Jim's areas of concentration include income tax planning, estate planning, stock option exercise planning, insurance, retirement planning and Section 529 Plans.

MISCELLANEOUS

REBATES TO TAXPAYER – NOT TAXABLE

1. **Individuals: \$1,200.00**
2. **Married Couples: \$2,400.00**
3. **Child: \$500.00**



TAXABLE INCOME CALCULATION

1. **Gross Income**
2. **Less: Above Adjusted Gross Income Deductions**
3. **Less: Greater Of Itemized Deductions Or Standard Deduction**
4. **Less: Personal Exemptions (Went Away In 2019)**
5. **Equals: Taxable Income**

TAX RATE SCHEDULE-SINGLE FILERS

2019 Tax Rate	2019 Single Filers – Taxable Income	2020 Tax Rate	2020 Single Filers – Taxable Income
10%	\$0 to \$9,700	10%	\$0 to \$9,875
12%	\$9,701 To \$39,475	12%	\$9,876 To \$40,125
22%	\$39,476 To \$84,200	22%	\$40,126 To \$85,525
24%	\$84,201 To \$160,725	24%	\$85,526 To \$163,300
32%	\$160,726 To \$204,100	32%	\$163,301 To \$207,350
35%	\$204,101 To \$510,300	35%	\$207,351 To \$518,400
37%	More Than \$510,301	37%	More Than \$518,400

TAX RATE SCHEDULE-MARRIED FILING

2019 Tax Rate	2019 Married Filing Jointly Taxable Income	2020 Tax Rate	2020 Married Filing Jointly Taxable Income
10%	\$0 To \$19,400	10%	\$0 To \$19,750
12%	\$19,401 To \$78,950	12%	\$19,751 To \$80,250
22%	\$78,951 To \$168,400	22%	\$80,251 To \$171,050
24%	\$168,401 To \$321,450	24%	\$171,051 To \$326,600
32%	\$321,451 To \$408,200	32%	\$326,601 To \$414,700
35%	\$408,201 To \$612,350	35%	\$414,701 To \$622,050
37%	More Than \$612,351	37%	More Than \$622,050

TRUSTS AND ESTATES

2019 Tax Rate	Trust And Estate Filers	2020 Tax Rate	Trust And Estate Filers
10%	\$0 to \$2,600	10%	\$0 to \$2,600
24%	\$2,601 To \$9,300	24%	\$2,601 To \$9,450
35%	\$9,301 To \$12,750	35%	\$9,451 To \$12,950
37%	More Than \$12,751	37%	More Than \$12,950

FEDERAL ESTIMATED TAX PAYMENTS

I. 2 Tests To Avoid Underpayment Penalty – On A Quarterly Basis

A. Pay The Lesser Of: 90% Of Current Year's Tax Or,

B. Pay

A. 100% Of Last Year's Tax

**B. 110% Of Last Year's Tax If Prior Year AGI Is Greater Than
\$150,000.00**

II. Use Withholding To Avoid Underpayment Penalty

STATE ESTIMATED TAX PAYMENTS

Do Not Forget About State Estimated Income Tax Payments.

PORTFOLIO INCOME

RECOGNIZING CAPITAL LOSSES

- I. Tax-Loss Harvesting**
- II. Fully Deductible Against Capital Gains**
- III. Deduct Up To \$3,000.00 Against Ordinary Income**

RECOGNIZING CAPITAL GAINS

	10% And 12% Tax Brackets	22% Up To 35% Tax Brackets	37.0% Tax Bracket
Short-Term (One Year Or Less)	Ordinary Income Tax Rate		
Long-Term (Longer Than One Year)	0%*	15%*	20%
Dividends	* Qualified - Long-Term Capital Gains Rates. * Non-Qualified - Ordinary Income Tax Rates.		

***To The Extent Taxable Income Remains In These Brackets. Consult Your Tax Advisor About How This Applies To Your Situation.**

YEAR-END CAPITAL GAIN DISTRIBUTIONS

1. Taxable Accounts

2. Don't Buy Mutual Fund Before Year-End Capital Gain Distribution.

WASH SALE RULES

I. Disallowed Loss:

I. If Security Is Sold At A Loss And

II. Substantially Identical Security Is Purchased Within 30 Days

III. Before Or After The Sale

II. Replace Security With Another Security In Same Industry

III. Replace With Mutual Fund Or ETF In Same Industry

EXCHANGE-TRADED FUNDS: TAXATION

- I. ETFs Structured As Limited Partnerships (L.P.)**
 - A. ETFs That Hold Futures Contracts Must Be Structured As L.P.'S**
 - B. 60% Of Gains - Long-Term**
 - C. 40% Of Gains - Short-Term**
 - D. K-1**

- II. ETFs That Invest In Foreign Currencies**
 - A. Taxed As Ordinary Income.**

- III. ETFs That Own Physical Precious Metals Are Structured As Trusts**
 - A. Example: SPDR Gold Shares (GLD)**
 - B. Long-Term Capital Gains At 28%.**

COST BASIS REPORTING FROM BROKERAGE FIRMS

- I. Stocks Bought On Or After January 1, 2011**
- II. Mutual Funds Bought On Or After January 1, 2012**
- III. Options And Fixed Income Bought On Or After January 1, 2013**
- IV. IRS Form 1099-B Will Report Cost Basis**

WORTHLESS INVESTMENTS

- 1. Treated As Sold On The Last Day Of The Year**
- 2. No Markets For That Particular Investment Can Be Available**

CAPITAL LOSS CARRYOVER

Review Prior Year Tax Return

ITEMIZED DEDUCTIONS

STANDARD DEDUCTION

<u>Standard Deductions</u>	<u>2019</u>	<u>2020</u>
Married/Joint	\$24,400.00	\$24,800.00
Single	\$12,200.00	\$12,400.00
Head Of Household	\$18,350.00	\$18,650.00
Dependents	\$1,100.00	\$1,100.00
Married/Separate	\$12,200.00	\$12,400.00

For dependents with earned income, the deduction is greater of \$1,050.00 or earned income +\$350.00 (up to \$6,350.00)

<u>ADDITIONAL STANDARD DEDUCTION</u>	<u>2019</u>	<u>2020</u>
Married, Older Than Age 65 (Per Person) or Blind	\$1,300.00	\$1,300.00
Single, Older Than Age 65 (Per Person) or blind	\$1,650.00	\$1,650.00

MORTGAGE INTEREST

- 1. Applies To Mortgage Entered Into After December 15, 2017.**
- 2. Deduction For Interest Is Limited To The First \$750,000.00 Of Debt.**
- 3. Existing Mortgages Of Balances Up To \$1,000,000.00 Are Grandfathered.**
- 4. Applies Up To Two Homes.**

HOME EQUITY INTEREST

- 1. Eliminates Interest Deduction For Home Equity Indebtedness**
- 2. Home Equity Indebtedness – Not Used For Acquiring, Building, Or Substantially Improving The Residence**
- 3. No Grandfathering For Existing Debt**

CHARITABLE CONTRIBUTIONS

- 1. Cash Donations To Public Charities Are Deductible Up To 60% Of Adjusted Gross Income (AGI).**
- 2. Old Law - Limited To 50% Of AGI**
- 3. Still Can Carryforward Unused Deductions**
- 4. Deduction Of 80% Of Amount Paid For The Right To Buy Athletic Tickets Has Been Repealed.**

CHARITABLE CONTRIBUTIONS

- I. Check Mailed On December 31, 2020 Counts As 2020 Deduction**
- II. Credit Card Charge To Charity Counts As 2020 Deduction**

NEW CHARITABLE DEDUCTION

- 1. Above-The-Line Deduction (Before Adjusted Gross Income)**
- 2. \$300.00 Deduction**
- 3. Starts In 2020**
- 4. Cannot Itemize**
- 5. No Ending Year**

DONOR ADVISED FUNDS

- 1. Fund With Large Tax-Deductible Upfront Gifts**
- 2. Invest Funds**
- 3. Distribute To Charity When You Want**

MEDICAL EXPENSES

Expenses Need To Exceed 7.5% Of AGI

PERSONAL CASUALTY LOSSES

- 1. No Longer Deductible**
- 2. If The President Declares A Disaster, Then 10.0% Of AGI Rules Still Applies.**

MISCELLANEOUS ITEMIZED DEDUCTIONS

1. No Longer Deductible

2. Examples:

- a. Tax Preparation Fees
- b. Investment-Related Expenses
- c. Safe Deposit Box Rental
- d. Union Dues

MOVING EXPENSES

- 1. No Longer Deductible**
- 2. Exception: Armed Forces Moving Due To Military Order**

STATE AND LOCAL INCOME TAXES AND REAL ESTATE TAXES

- 1. \$10,000.00 Cap For The Following:**
 - a. State Income Taxes**
 - b. Local Income Taxes**
 - c. Real Estate Taxes**
 - d. Personal Property Taxes**
 - e. 2019 State And Local Income Taxes Paid In 2020**

SALES TAX

- 1. Option Of Claiming The Greater Of:**
 - I. State And Local Income Taxes Or**
 - II. State And Local General Sales Taxes**
- 2. Could Be Beneficial If Resident Of Low Tax Rate State Or No Tax State**
- 3. Could Be Beneficial If Taxpayer Made Large Purchase**

CREDITS

CHILD TAX CREDIT

- 1. \$2,000.00 Per Qualifying Child**
- 2. For Children Under Age 17**
- 3. \$500.00 Credit For Qualifying Dependents But Not Qualifying Child**
- 4. Phaseouts Apply:**
 - a. \$400,000.00 For Couples**
 - b. \$200,000.00 For All Other Taxpayers**

CHILD AND DEPENDENT CARE CREDIT

- I. 20.0% - 35.0% Credit Rate Is Permanent.**
- II. Credit Reduces From A High Of 35.0% To 20.0% As Adjusted Gross Income (AGI) Increases.**
- III. AGI Above \$43,000.00, 20.0% Credit Applies**
- IV. \$3,000.00 Cap On Expenses For One Qualifying Child**
- V. \$6,000.00 For Two Or More Qualifying Children**
- VI. Dependent Under Age 13.**
- VII. Care Must Allow Parent To Have Employment**

ELECTRIC-DRIVE AUTOMOBILE CREDIT

- I. Electric-Drive And Plug-In Hybrid Electric Vehicles.**
- II. \$2,500.00 - \$7,500.00 Non-Refundable Credit**
- III. Energy Department Website Lists Vehicles: FuelEconomy.gov**
- IV. Amount Of The Credit Depends On:**
 - A. Size Of Vehicle**
 - B. Battery Capacity**

HEALTHCARE EXPENSES

Monthly premiums for Parts B & D Including Income Related Adjustment Amounts

MAGI Single	MAGI Joint	MAGI Married filing separately	Part B monthly premium paid to Medicare	Part B income-related adjustment amount paid to Medicare	Part D monthly premium (average) paid to insurer	Part D income-related adjustment amount paid to Medicare	Total Parts B & D premium
≤ \$87,000	≤ \$174,000	≤ \$87,000	\$144.60	\$0.00	\$40.00	\$0.00	\$184.60
\$87,001 - \$109,000	\$174,001 - \$218,000		\$144.60	\$57.80	\$40.00	\$12.20	\$254.60
\$109,001 - \$136,000	\$218,001 - \$272,000		\$144.60	\$144.60	\$40.00	\$31.50	\$360.70
\$136,001 - \$163,000	\$272,001 - \$326,000		\$144.60	\$231.40	\$40.00	\$50.70	\$466.70
\$163,001 - \$499,999	\$326,001 - \$749,999	\$87,001 - \$412,999	\$144.60	\$318.10	\$40.00	\$70.00	\$572.70
≥\$500,000	≥\$750,000	≥\$413,000	\$144.60	\$347.00	\$40.00	\$76.40	\$608.00

These do not include premiums for Medicare Advantage or Medicare supplement plans

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MEDICAL EXPENSE OPPORTUNITIES

I. Provide Accountant With The Following:

- I. Pre-Medicare Medical Insurance Premiums**
- II. Medicare Part B Premiums**
- III. Medicare Part D Premiums**
- IV. Medigap Insurance Premiums**
- V. Medicare Advantage Plan Insurance Premiums**
- VI. Non-Reimbursed Medical Expenses**
- VII. Long-Term Care Insurance Premiums**

2020 LONG-TERM CARE INSURANCE FEDERAL TAX DEDUCTION LIMITS

<u>Taxpayer's Age At End Of Tax Year</u>	<u>Deductible Limit</u>
40 Or Less	\$ 430.00
More Than 40 But Not More Than 50	\$ 810.00
More Than 50 But Not More Than 60	\$ 1,630.00
More Than 60 But Not More Than 70	\$ 4,350.00
More Than 70	\$ 5,430.00

OVER-THE-COUNTER MEDICAL EXPENSES

**Over-The-Counter Medical Expenses Are Now
Qualified Medical Expenses For:**

- 1. Health Savings Accounts**
- 2. Archer Medical Savings Accounts**
- 3. Flexible Spending Accounts**

RETIREMENT PLANS

401(k), 403(b), 457(b) PLANS

- I. Increase Your Pre-Tax Retirement Contributions.**
- II. Use Roth Option, If Your Employer Provides It**
- III. 2020 Maximum Contribution Limit Under The Age Of 50: \$19,500.00**
- IV. 2020 Catch-Up Contribution Limit Age 50 And Over: \$6,500.00**

IRA CONTRIBUTIONS

I. 3 Types Of IRAs

A. Deductible Traditional IRA

B. Non-Deductible Traditional IRA

C. Roth IRA

II. 2020 Deadline: April 15, 2020

III. IRA Contribution Limit: \$6,000.00

IV. IRA Catch-Up Contribution Limit (Age 50 And Above): \$1,000.00

TRADITIONAL IRA DEDUCTIBILITY SCHEDULE - COVERED BY AN EMPLOYER-SPONSORED RETIREMENT PLAN

	2020 Modified Adjusted Gross Income	2020 Deduction
Single	Up TO \$65,000	Full
	\$65,000 - \$75,000	Partial
	Above \$75,000	None
Married Filing Joint	Up to \$104,000	Full
	\$104,000 - \$124,000	Partial
	Above \$124,000	None

**TRADITIONAL IRA DEDUCTIBILITY SCHEDULE -
NOT COVERED BY AN
EMPLOYER-SPONSORED RETIREMENT PLAN**

	2020 Modified Adjusted Gross Income	2020 Deduction
Single	Unlimited	Full
Married Filing Joint	Unlimited	Full

ROTH IRA ELIGIBILITY

	2020 Modified Adjusted Gross Income	2020 Contribution
Single	Up To \$124,000	Full
	\$124,000 - \$139,000	Partial
	Above \$139,000	None
Married Filing Joint	Up to \$196,000	Full
	\$196,000 - \$206,000	Partial
	Above \$206,000	None

INDIVIDUAL 401(k) PLAN

- I. For Self-Employed Individuals**
- II. Established By 12/31/20**
- III. Contribution Deadline: 10/15/21**
- IV. Higher Contribution Than SEP IRA (In Most Cases)**
- V. 2 Part Calculation**
 - I. Salary Deferral: 100% Of The First \$19,500.00 (\$25,000.00 If Age 50+) Of Net Self-Employment Income**
 - II. Profit Sharing Contribution: 20.0% Of Net Self-Employment Income**
- VI. 2020 Maximum Contribution: \$57,000.00 (\$63,500.00 If Age 50+)**

SEP IRA

- I. Establish Before 10/15/21 For 2020 Tax Year**
- II. Contribution Deadline Is 10/15/21 For 2020 Tax Year**
- III. 20.0% Of Net Self-Employment Income Contribution**
- IV. Contribution Limit: \$57,000.00**
- V. No Catch-Up Contribution**

DEFINED BENEFIT PENSION PLAN

- I. High Contribution Limits**
- II. Tax-Deductible Contributions**
- III. Higher Costs Than Other Retirement Plans (Usually The Income Tax Deduction More Than Pays For It)**
- IV. Committing To A Funding Level (Stable Income Is Important)**
- V. Must Make Contributions On Behalf Of Other Employees (Self-Employed Usually More Beneficial)**

HEALTH SAVINGS ACCOUNTS

HEALTH SAVINGS ACCOUNT (HSA)

- 1. High Deductible Health Insurance Plan.**
- 2. Tax Benefits**
 - a. Pre-Tax Deductions**
 - b. Tax Deferred Earnings**
 - c. Tax Free Withdrawal If Used For Covered Medical Expenses**

HEALTH SAVINGS ACCOUNT (HSA) IRS LIMITS

2020 IRS LIMITS

	<u>Single Plan</u>	<u>Family Plan</u>
Maximum Contribution Limit	\$3,550.00	\$7,100.00
Minimum Deductible	\$1,400.00	\$2,800.00
Maximum Out-Of-Pocket	\$6,900.00	\$13,800.00
Catch-Up Contribution (55+)	\$1,000.00	\$1,000.00

HEALTH SAVINGS ACCOUNT

- I. Non-Qualified Withdrawal: Taxable And 20.0% Penalty Before 65**
- II. No Penalty For Non-Qualified Withdrawal After 65 (Still Taxable)**
- III. Age Limit For Contributions: 65 Unless Delaying Medicare**

FLEXIBLE SPENDING ACCOUNTS

FLEXIBLE SPENDING ACCOUNTS

- I. Set Up By Employer**
- II. Pre-Tax Through Payroll.**
- III. \$2,750.00 Contribution Limit Per Year.**
- IV. 2 Options:**
 - I. Use It Or Lose It By March 15 Of The Following Year Or,**
 - II. \$500.00 Carryover But Use It Or Lose It For The Rest Of The Funds By December.**

ALTERNATIVE MINIMUM TAX (AMT)

ALTERNATIVE MINIMUM TAX

I. AMT Exemption Will Be Inflation-Adjusted Annually.

II. Common Causes:

- I. State And Local Income Taxes**
- II. Real Estate Taxes**
- III. Large Capital Gains**

III. Other Causes:

- I. Standard Deduction**
- II. Interest On Second Mortgage**
- III. Medical Expenses**
- IV. Various Credits**
- V. Incentive Stock Options**
- VI. Private Activity Bonds**

ALTERNATIVE MINIMUM TAX (AMT) - EXEMPTION

- 1. Married Filing Joint: \$113,400.00**
- 2. Single: \$72,900.00**

ALTERNATIVE MINIMUM TAX (AMT) – EXEMPTION PHASE-OUT

- 1. Married Filing Jointly: \$1,036,800.00**
- 2. Single: \$518,400.00**

SOCIAL SECURITY INCOME TAXATION

SOCIAL SECURITY TAXATION

- I. Provisional Income =**
 - A. Adjusted Gross Income +**
 - B. Half Of Social Security Income +**
 - C. Tax-Exempt Municipal Bond Income.**

SOCIAL SECURITY TAXATION

Filing Status	Provisional Income	Amount Of Social Security Subject To Income Tax
Married Filing Jointly	Under \$32,000	0%
	\$32,000 - \$44,000	Up to 50%
	Over \$44,000	Up to 85%
Single	Under \$25,000	0%
	\$25,000 - \$34,000	Up to 50%
	Over \$34,000	Up to 85%

KIDDIE TAX

KIDDIE TAX

- 1. Applies To Non-Earned Income Over A Specific Threshold**
- 2. Applies To Child Under Age 19 or Age 24 If Full-Time Student**
- 3. In The Case Of A Child Over Age 17, The Kiddie Tax Applies Only If The Child's Earned Income Does Not Exceed One-half Of Their Support.**

KIDDIE TAX CHANGES

1. Repeal Of Changes Two Years Ago.
2. Applies To Parent's Income Tax Bracket
3. **Old Rule: Trust Tax Rates**
4. Effective In 2020
5. Taxpayer Can Elect To Apply Old Rules To 2019
And 2018

KIDDIE TAX

Unearned Income	Tax Treatment
Less Than \$1,100.000	No Tax
\$1,100.00 - \$2,200.00	Child's Income Tax Rate
More Than \$2,200.00	The Higher Of The Parent's Income Tax Rate Or The Child's Income Tax Rate

EDUCATION PLANNING

Section 529 Plans

- 1. Can Be Used To Cover The Cost Of K-12 Expenses**
- 2. Limited To Annual \$10,000.00 Tax-Free Distribution Per Child**

SECTION 529 PLAN

- 1. State Tax Return: Potential Tax Write-Off**
- 2. Pennsylvania Deduction: \$15,000.00 Per Person**

SECTION 529 PLAN WITHDRAWALS – STUDENT LOANS

- 1. Qualified Higher Education Expense**
- 2. Principal And Interest**
- 3. Lifetime Limit Of \$10,000.00**
- 4. Per-Person Limit**
- 5. Retroactive To The Beginning Of 2019**

SECTION 529 PLAN WITHDRAWALS – APPRENTICESHIPS

- 1. Tax-Free Withdrawals**
- 2. Apprenticeship Costs**
- 3. Apprenticeship Must Register And Be
Certified By The Department Of Labor.**

HIGHER EDUCATION TUITION AND FEES DEDUCTION

- 1. Extended For 2020**
- 2. Retroactive For 2018 And 2019**
- 3. Up To \$4,000.00**
- 4. Modified Adjusted Gross Income Limits**

COVERDELL EDUCATION SAVINGS ACCOUNT

- I. Maximum Contribution Is Permanently Set At \$2,000.00.**
- II. Tax-Free Treatment Of Elementary And Secondary School Expenses.**

AMERICAN OPPORTUNITY TAX CREDIT

- I. Undergraduate**
- II. 40.0% Is Refundable**

AMERICAN OPPORTUNITY TAX CREDIT

Maximum Credit:

\$2,500.00 Per Student Per Year, For First Four Years Of Qualified Expenses Paid

Modified Adjusted Gross Income Phase-Outs

Married Filing Jointly

\$160,000.00 – \$180,000.00

Single

\$80,000.00 – \$90,000.00

LIFETIME LEARNING CREDIT

Maximum Credit:

20% Of First \$10,000.00 (Per Tax Return) Of Qualified Expenses Paid

Modified Adjusted Gross Income Phase-Outs

Married Filing Jointly

\$116,000.00 – \$136,000.00

Single Filer

\$58,000.00 – \$68,000.00

STUDENT LOAN INTEREST DEDUCTION

Maximum Deduction: \$2,500.00	
Modified Adjusted Gross Income Phase-Outs	
Married Filing Jointly	\$140,000.00 – \$170,000.00
Others	\$70,000.00 – \$85,000.00

MEDICARE TAXES

ADDITIONAL MEDICARE TAX ON WAGES

- I. Single Filers: Wages Are More Than \$200,000.00**
- II. Married Filing Joint Filers: Wages Are More Than \$250,000.00**
- III. Tax Rate: .90%**
- IV. Employee Is Responsible**
- V. Employer Continues To Pay Half The Base Rate Of 2.9%**
- VI. Self-Employed Individuals Will Be Liable Too**

MEDICARE TAX ON UNEARNED INCOME

- I. Tax Rate: 3.8%.**
- II. Tax Applies To Whichever Is Less:**
 - I. Net Investment Income Or,**
 - II. Amount That Your Modified AGI Exceeds The Threshold.**
- III. Unearned Income Defined:**
 - A. Capital Gains**
 - B. Interest**
 - C. Dividends**
 - D. Rental Income**
 - E. Passive Investor**

MEDICARE TAX ON UNEARNED INCOME

Beginning Modified Adjusted Gross Income Subject To Tax		
Single Filers	Married Filing Jointly	Married Filing Separately
\$200,000.00	\$250,000.00	\$125,000.00

REQUIRED MINIMUM DISTRIBUTIONS

REQUIRED MINIMUM DISTRIBUTIONS (RMD)

– SUSPENDED FOR 2020

- 1. Applies To Age 70 ½ And Age 72 Distributions**
- 2. Applies To Inherited IRAs**
- 3. Applies For Those Who Turned Age 70 ½ In 2019 But Did Not Take Their First RMD In 2019**
- 4. Distributions Are Still Allowed**
- 5. Qualified Charitable Distributions Are Still Allowed For Those Age 70 ½ Or Older**



QUALIFIED CHARITABLE DISTRIBUTION

- 1. Satisfies Required Minimum Distribution (RMD)**
- 2. Not Included In Adjusted Gross Income**
- 3. RMD Goes To Charity**
- 4. Up To \$100,000.00 Annually**
- 5. Not Deductible As Itemized Deduction**
- 6. Beneficiary IRA Is Eligible As Long As Beneficiary Is Over Age 70 1/2**

ROTH IRA CONVERSIONS

ROTH IRA CONVERSIONS

- I. No Modified Adjusted Gross Income Limits**
- II. Ordinary Federal Income Taxes On The Converted Amount**
- III. Earnings May Be Withdrawn Without Tax Or Penalty:**
 - I. At Least 59 ½ And,**
 - II. Held The Roth IRA Account For At Least Five Years**
- IV. No Required Minimum Distribution Rules**
- V. Federal Income Taxes Should Be Paid With Non-IRA Assets**
- VI. The Tax-Free Status Can Be Passed To A Beneficiary**

ROTH IRA RECHARACTERIZATIONS

- 1. Repealed For Roth IRA Conversion**
- 2. Starts With The 2019 Tax Year**
- 3. Can Still Recharacterize Traditional Or Roth IRA Contribution**

RETIREMENT PLAN ROTH IRA CONVERSIONS

- I. Applies To 401(k), 403(b) and 457(b) Governmental Plans**
- II. Employer Does Not Have To Offer.**
- III. Convert Pre-Tax Or After-Tax Contributions To A Roth Account.**
- IV. Roth Account Is Within Retirement Plan.**
- V. Only Vested Amounts Are Eligible.**
- VI. Recharacterization Is Not Allowed.**

GIFTING

ANNUAL GIFTING

- I. \$15,000.00 Per Year Per Person**
- II. Gift Should Be Cashed Or Deposited By Before December 31, 2020**
- III. No Annual Limitation For Gifts For:**
 - I. Tuition**
 - II. Medical**

GIFTING APPRECIATED SHARES OF AN INVESTMENT

- I. Avoiding Capital Gains On Significant Appreciated Investments.**
- II. To Charities And To Family Members**
- III. To Children (Be Aware of Kiddie Tax).**
- IV. Generally, Income Tax Deduction To Charity Based Upon Fair Market Value (Subject To Certain Limitations And Restrictions)**
- V. Annual Gifting Limits To An Individual (\$15,000.00 In 2020).**

QUALIFIED BUSINESS INCOME

QUALIFIED BUSINESS INCOME

- 1. 20.0% Deduction Of Qualified Business Income**

- 2. Applies To:**
 - 1. Partnerships**
 - 2. S Corporation**
 - 3. Sole Proprietorship**
 - 4. Limited Liability Company (LLC)**
 - 5. Limited Liability Partnership (LLP)**

- 3. 20.0% Is Capped At The Greater Of:**
 - a. 50.0% Of The Amount Of Wages Paid To Employees**
 - b. 25.0% Of Wages Paid To Employees And 2.5% Of The Cost Of Depreciable Property Owned By The Business.**

QUALIFIED BUSINESS INCOME (CONTINUED)

- 4. Below-The-Line Deduction But Not An Itemized Deduction**
- 5. Will Reduce Taxable Income**
- 6. Phase-Out Of Deduction For Specified Service Businesses**
 - a. Taxpayers With Taxable Income Beyond \$157,500.00 For Single**
 - b. Taxpayers With Taxable Income Beyond \$315,000.00 For Married Filing Jointly**

PASSIVE INCOME

PASSIVE ACTIVITY LOSS CARRYOVER

- I. Passive Activity Loss Carryover**
- II. Consider Disposing Of That Activity**
- III. Disposing Of The Activity Could Allow Deduction Of Passive Activity Loss Carryover Against Ordinary Income**

ALIMONY

ALIMONY

- 1. Deduction Is Disallowed For The Payor**
- 2. Income No Longer Taxable To The Recipient**
- 3. For Divorces Entered Into After 2018**

SECTION 1031

SECTION 1031

- 1. Tax-Free Exchange**
- 2. Only For Real Estate**
- 3. Formerly Used For Investment Property Like Boat, Planes, Etc.**

OTHER YEAR-END FINANCIAL PLANNING CONSIDERATIONS

- I. Reevaluate Portfolio Risk**
- II. Property And Casualty Insurance**
- III. Life Insurance**
- IV. Disability Insurance**
- V. Long-Term Care Insurance**
- VI. Social Security Planning**
- VII. Medicare Planning**
- VIII. Refinance**
- IX. Identify Theft**
 - A. Credit Monitoring Service**
 - B. Protect Your Documents**
- X. Estate Planning**
 - A. Review Beneficiary Designations**

QUESTIONS AND ANSWERS

Q & A

The image features the text 'Q & A' rendered in a 3D, blocky font. The letters 'Q' and 'A' are bright red, while the ampersand '&' is a light gray. The characters are positioned on a white surface, casting soft, light gray shadows beneath them. The overall style is clean and modern.

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