



# LAST CHANCE TO REDUCE 2021'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 previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses. Jim has also provided financial advice to various Fortune 500 and public company executives.**

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

**MISCELLANEOUS**

# 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

<b>2020 Tax Rate</b>	<b>2020 Single Filers – Taxable Income</b>	<b>2021 Tax Rate</b>	<b>2021 Single Filers – Taxable Income</b>
<b>10%</b>	<b>\$0 to \$9,875</b>	<b>10%</b>	<b>\$0 to \$9,950</b>
<b>12%</b>	<b>\$9,876 To \$40,125</b>	<b>12%</b>	<b>\$9,951 To \$40,525</b>
<b>22%</b>	<b>\$40,126 To \$85,525</b>	<b>22%</b>	<b>\$40,526 To \$86,375</b>
<b>24%</b>	<b>\$85,526 To \$163,300</b>	<b>24%</b>	<b>\$86,376 To \$164,925</b>
<b>32%</b>	<b>\$163,301 To \$207,350</b>	<b>32%</b>	<b>\$164,926 To \$209,425</b>
<b>35%</b>	<b>\$207,351 To \$518,400</b>	<b>35%</b>	<b>\$209,426 To \$523,600</b>
<b>37%</b>	<b>More Than \$518,400</b>	<b>37%</b>	<b>More Than \$523,601</b>

# TAX RATE SCHEDULE - MARRIED FILING

<b>2020 Tax Rate</b>	<b>2020 Married Filing Jointly Taxable Income</b>	<b>2021 Tax Rate</b>	<b>2021 Married Filing Jointly Taxable Income</b>
<b>10%</b>	<b>\$0 To \$19,750</b>	<b>10%</b>	<b>\$0 To \$19,900</b>
<b>12%</b>	<b>\$0 To \$19,750</b>	<b>12%</b>	<b>\$19,901 To \$81,050</b>
<b>22%</b>	<b>\$80,251 To \$171,050</b>	<b>22%</b>	<b>\$81,051 To \$172,750</b>
<b>24%</b>	<b>\$171,051 To \$326,600</b>	<b>24%</b>	<b>\$172,751 To \$329,850</b>
<b>32%</b>	<b>\$326,601 To \$414,700</b>	<b>32%</b>	<b>\$329,851 To \$418,300</b>
<b>35%</b>	<b>\$414,701 To \$622,050</b>	<b>35%</b>	<b>\$418,851 To \$628,300</b>
<b>37%</b>	<b>More Than \$622,050</b>	<b>37%</b>	<b>More Than \$628,301</b>

# TRUSTS AND ESTATES

<b>2020 Tax Rate</b>	<b>Trust And Estate Filers</b>	<b>2021 Tax Rate</b>	<b>Trust And Estate Filers</b>
<b>10%</b>	<b>\$0 to \$2,600</b>	<b>10%</b>	<b>\$0 to \$2,500</b>
<b>24%</b>	<b>\$2,601 To \$9,450</b>	<b>24%</b>	<b>\$2,651 To \$9,550</b>
<b>35%</b>	<b>\$9,451 To \$12,950</b>	<b>35%</b>	<b>\$9,550 To \$13,050</b>
<b>37%</b>	<b>More Than \$12,950</b>	<b>37%</b>	<b>More Than \$13,050</b>

# FEDERAL ESTIMATED TAX PAYMENTS

## 1. 2 Tests To Avoid Underpayment Penalty – On A Quarterly Basis

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

b. Pay

1. 100% Of Last Year's Tax

2. 110% Of Last Year's Tax If Prior Year AGI Is Greater Than  
\$150,000.00

## 2. Use Withholding To Avoid Underpayment Penalty



# **STATE ESTIMATED TAX PAYMENTS**

**Do Not Forget About State Estimated Income Tax Payments.**

# PORTFOLIO INCOME

# **RECOGNIZING CAPITAL LOSSES**

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

# **CAPITAL LOSS CARRYOVER**

**Review Prior Year Tax Return**

# 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**

- 1. Disallowed Loss:**
  - a. If Security Is Sold At A Loss And**
  - b. Substantially Identical Security Is Purchased Within 30 Days**
  - c. Before Or After The Sale**
- 2. Replace Security With Another Security In Same Industry**
- 3. Replace With Mutual Fund Or ETF In Same Industry**

# **EXCHANGE-TRADED FUNDS: TAXATION**

- 1. 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**
  
- 2. ETFs That Invest In Foreign Currencies**
  - a. Taxed As Ordinary Income.**
  
- 3. 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**

- 1. Stocks Bought On Or After January 1, 2011**
- 2. Mutual Funds Bought On Or After January 1, 2012**
- 3. Options And Fixed Income Bought On Or After January 1, 2013**
- 4. 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**

# ITEMIZED DEDUCTIONS

# STANDARD DEDUCTION

<u>Standard Deductions</u>	<u>2020</u>	<u>2021</u>
Married/Joint	\$24,800.00	\$25,100.00
Single	\$12,400.00	\$12,550.00
Head Of Household	\$18,650.00	\$18,800.00
Dependents	\$1,100.00	\$1,100.00
Married/Separate	\$12,400.00	\$12,550.00

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>2020</u>	<u>2021</u>
Married, Older Than Age 65 (Per Person) or Blind	\$1,300.00	\$1,350.00
Single, Older Than Age 65 (Per Person) or blind	\$1,650.00	\$1,700.00

# **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 100% Of Adjusted Gross Income (AGI).**
- 2. Old Law - Limited To 60% 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**

- 1. Check Mailed On December 31, 2021, Counts As 2021 Deduction**
- 2. Credit Card Charge To Charity Counts As 2021 Deduction**



# **NEW CHARITABLE DEDUCTION**

- 1. Above-The-Line Deduction (Before Adjusted Gross Income)**
- 2. \$300.00 Deduction Single**
- 3. \$600.00 Married Filing Joint**
- 4. Started In 2020**
- 5. Cannot Itemize**
- 6. 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. 2020 State And Local Income Taxes Paid In 2021**

# **SALES TAX**

- 1. Option Of Claiming The Greater Of:**
  - a. State And Local Income Taxes Or**
  - b. 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

# **2021 CHILD TAX CREDIT**

- 1. Only For 2021**
- 2. Up To \$300.00 Per Month From July To December – For Each Child Under Age 6**
- 3. Up To \$300.00 Per Month From July To December – For Each Child Ages 6 To 17**
- 4. 2021 Credit Is \$3,600.00 For Each Child Under Age 6.**
- 5. 2021 Credit Is \$3,000.00 For Each Child Ages 6 To 17**
- 6. Advance Of Your Child Tax Credit From 2021 Tax Return.**
- 7. Six Payments Should Equal 50.0% Of The Credit You're Expected To Receive On 2021 Tax Return.**
- 8. Does Not Include \$500.00 Credit For Older Children, Elderly Parents, And Other Dependents**
- 9. Can Opt Out Of Credit – Good Idea If You No Longer Qualify For The Credit.**

# CHILD TAX CREDIT

## Phaseouts Apply:

1. **Begins To Be Reduced To \$2,000.00 Per Child If Modified Adjusted Gross Income Exceeds:**
  1. **\$150,000.00 – Married Filing Joint**
  2. **\$112,500.00 – Head Of Household**
  3. **\$75,000.00 – Single**
  
2. **Second Phase-Out – Reduces \$2,000.00 Child Tax Credit By \$50.00 For Each \$1,000.00 Your Modified Adjusted Gross Income Exceeds:**
  - a. **\$400,000.00 For Couples**
  - b. **\$200,000.00 For All Other Taxpayers**

# **CHILD AND DEPENDENT CARE CREDIT**

- 1. 35.0% - 50.0% Credit Rate For 2021**
- 2. Credit Reduces From A High Of 50.0% To 35.0% As Adjusted Gross Income (AGI) Increases.**
- 3. \$8,000.00 Cap On Expenses For One Qualifying Child**
- 4. \$16,000.00 For Two Or More Qualifying Children**
- 5. Dependent Under Age 13.**
- 6. Care Must Allow Parent To Have Employment**

# **ELECTRIC-DRIVE AUTOMOBILE CREDIT**

- 1. Electric-Drive And Plug-In Hybrid Electric Vehicles.**
- 2. \$2,500.00 - \$7,500.00 Non-Refundable Credit**
- 3. Energy Department Website Lists Vehicles: [FuelEconomy.gov](http://FuelEconomy.gov)**
- 4. Amount Of The Credit Depends On:**
  - a. Size Of Vehicle**
  - b. Battery Capacity**

# **STIMULUS PAYMENT**

- 1. Third Round Of Stimulus – Issued In Early 2021.**
- 2. \$1,400.00 – Single**
- 3. \$2,800.00 – Married Filing Joint**
- 4. If You Did Not Receive But Were Eligible, Then Claim As A Credit**
- 5. AGI – Start To Reduce Once Adjusted Gross Income Exceeds**
  - a. Married Filing Joint: \$150,000.00**
  - b. Single: \$75,000.00**

# 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
≤ \$88,000	≤ \$176,000	≤ \$88,000	\$148.50	\$0.00	\$40.00	\$0.00	<b>\$188.50</b>
\$88,001 - \$111,000	\$176,001 - \$222,000		\$148.50	\$59.40	\$40.00	\$12.30	<b>\$260.20</b>
\$111,001 - \$138,000	\$222,001 - \$276,000		\$148.50	\$148.50	\$40.00	\$31.80	<b>\$368.80</b>
\$138,001 - \$165,000	\$276,001 - \$330,000		\$148.50	\$237.60	\$40.00	\$51.20	<b>\$477.30</b>
\$165,001 - \$499,999	\$330,001 - \$750,000	\$88,001 - \$412,000	\$148.50	\$326.70	\$40.00	\$70.70	<b>\$585.90</b>
≥\$500,000	≥\$750,000	≥\$412,000	\$148.50	\$356.40	\$40.00	\$77.10	<b>\$622.00</b>

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

\*



# **MEDICAL EXPENSE OPPORTUNITIES**

**Provide Accountant With The Following:**

- 1. Pre-Medicare Medical Insurance Premiums**
- 2. Medicare Part B Premiums**
- 3. Medicare Part D Premiums**
- 4. Medigap Insurance Premiums**
- 5. Medicare Advantage Plan Insurance Premiums**
- 6. Non-Reimbursed Medical Expenses**
- 7. Long-Term Care Insurance Premiums**

# 2021 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	\$ 450.00
More Than 40 But Not More Than 50	\$ 850.00
More Than 50 But Not More Than 60	\$ 1,690.00
More Than 60 But Not More Than 70	\$ 4,520.00
More Than 70	\$ 5,640.00

# **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**

- 1. Increase Your Pre-Tax Retirement Contributions.**
- 2. Use Roth Option, If Your Employer Provides It**
- 3. 2021 Maximum Contribution Limit Under The Age Of 50: \$19,500.00**
- 4. 2021 Catch-Up Contribution Limit Age 50 And Over: \$6,500.00**

# **IRA CONTRIBUTIONS**

- 1. 3 Types Of IRAs**
  - a. Deductible Traditional IRA**
  - b. Non-Deductible Traditional IRA**
  - c. Roth IRA**
- 2. 2021 Deadline: April 15, 2022**
- 3. IRA Contribution Limit: \$6,000.00**
- 4. IRA Catch-Up Contribution Limit (Age 50 And Above): \$1,000.00**

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

	2021 Modified Adjusted Gross Income	Deduction
<b>Single</b>	Up TO \$66,000	Full
	\$66,000 - \$76,000	Partial
	Above \$76,000	None
<b>Married Filing Joint</b>	Up to \$105,000	Full
	\$105,000 - \$125,000	Partial
	Above \$125,000	None

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

	<b>2021 Modified Adjusted Gross Income</b>	<b>2021 Deduction</b>
<b>Single</b>	<b>Unlimited</b>	<b>Full</b>
<b>Married Filing Joint</b>	<b>Unlimited</b>	<b>Full</b>



# ROTH IRA ELIGIBILITY

	2021 Modified Adjusted Gross Income	2021 Contribution
<b>Single</b>	<b>Up To \$125,000</b>	<b>Full</b>
	<b>\$125,000 - \$140,000</b>	<b>Partial</b>
	<b>Above \$140,000</b>	<b>None</b>
<b>Married Filing Joint</b>	<b>Up to \$198,000</b>	<b>Full</b>
	<b>\$198,000 - \$208,000</b>	<b>Partial</b>
	<b>Above \$208,000</b>	<b>None</b>

# **INDIVIDUAL 401(k) PLAN**

- 1. For Self-Employed Individuals**
- 2. Established By 12/31/21**
- 3. Contribution Deadline: 10/15/22**
- 4. Higher Contribution Than SEP IRA (In Most Cases)**
- 5. 2 Part Calculation**
  - a. Salary Deferral: 100% Of The First \$19,500.00 (\$25,000.00 If Age 50+) Of Net Self-Employment Income**
  - b. Profit Sharing Contribution: 20.0% Of Net Self-Employment Income**
- 6. 2021 Maximum Contribution: \$58,000.00 (\$64,500.00 If Age 50+)**

# **SEP IRA**

- 1. Establish Before 10/15/22 For 2021 Tax Year**
- 2. Contribution Deadline Is 10/15/22 For 2021 Tax Year**
- 3. 20.0% Of Net Self-Employment Income Contribution**
- 4. Contribution Limit: \$58,000.00**
- 5. No Catch-Up Contribution**

# **DEFINED BENEFIT PENSION PLAN**

- 1. High Contribution Limits**
- 2. Tax-Deductible Contributions**
- 3. Higher Costs Than Other Retirement Plans**
- 4. Committing To A Funding Level (Stable Income Is Important)**
- 5. Must Make Contributions On Behalf Of Other Employees**

# **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

## 2021 IRS LIMITS

	<u>Single Plan</u>	<u>Family Plan</u>
<b>Maximum Contribution Limit</b>	<b>\$3,600.00</b>	<b>\$7,200.00</b>
<b>Minimum Deductible</b>	<b>\$1,400.00</b>	<b>\$2,800.00</b>
<b>Maximum Out-Of-Pocket</b>	<b>\$7,000.00</b>	<b>\$14,000.00</b>
<b>Catch-Up Contribution (55+)</b>	<b>\$1,000.00</b>	<b>\$1,000.00</b>

# HEALTH SAVINGS ACCOUNT

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



# **FLEXIBLE SPENDING ACCOUNTS**

# **FLEXIBLE SPENDING ACCOUNTS**

- 1. Set Up By Employer**
- 2. Pre-Tax Through Payroll.**
- 3. \$2,750.00 Contribution Limit Per Year.**
- 4. Covid – 19 Personal Protective Equipment Qualifies**
- 5. 2 Options:**
  - a. Use It Or Lose It By March 15 Of The Following Year Or,**
  - b. \$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: \$114,600.00**
- 2. Single: \$73,600.00**

# **ALTERNATIVE MINIMUM TAX (AMT) – EXEMPTION BEGINNING PHASE-OUT**

- 1. Married Filing Jointly: \$1,047,200.00**
- 2. Single: \$523,600.00**

# **SOCIAL SECURITY INCOME TAXATION**

# **SOCIAL SECURITY TAXATION**

**Provisional Income =**

- 1. Adjusted Gross Income +**
- 2. Half Of Social Security Income +**
- 3. Tax-Exempt Municipal Bond Income.**



# SOCIAL SECURITY TAXATION

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

# **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

<b>Unearned Income</b>	<b>Tax Treatment</b>
<b>Less Than \$1,100.000</b>	<b>No Tax – Standard Deduction</b>
<b>\$1,100.00 - \$2,200.00</b>	<b>Child's Income Tax Rate</b>
<b>More Than \$2,200.00</b>	<b>The Higher Of The Parent's Income Tax Rate Or The Child's Income Tax Rate</b>

# **EDUCATION PLANNING**

# **Section 529 Plans**

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

# **SECTION 529 PLAN**

- 1. State Tax Return: Potential Income Tax Deduction**
- 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**



# **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. No Longer Available Starting in 2021**
- 2. Up To \$4,000.00**
- 3. Modified Adjusted Gross Income Limits**

# **COVERDELL EDUCATION SAVINGS ACCOUNT**

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

# AMERICAN OPPORTUNITY TAX CREDIT

1. Undergraduate
2. 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 – No Limit On Number Of Years For Higher Education**

**Modified Adjusted Gross Income Phase-Outs**

**Married Filing Jointly**

**\$160,000.00 – \$180,000.00**

**Single Filer**

**\$80,000.00 – \$90,000.00**

# STUDENT LOAN INTEREST DEDUCTION

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

# **MEDICARE TAXES**



# **ADDITIONAL MEDICARE TAX ON WAGES**

- 1. Single Filers: Wages Are More Than \$200,000.00**
- 2. Married Filing Joint Filers: Wages Are More Than \$250,000.00**
- 3. Tax Rate: .90%**
- 4. Employee Is Responsible**
- 5. Employer Continues To Pay Half The Base Rate Of 2.9%**
- 6. Self-Employed Individuals Will Be Liable Too**

# **MEDICARE TAX ON UNEARNED INCOME**

- 1. Tax Rate: 3.8%.**
- 2. Tax Applies To Whichever Is Less:**
  - a. Net Investment Income Or,**
  - b. Amount That Your Modified AGI Exceeds The Threshold.**
- 3. Unearned Income Defined:**
  - a. Capital Gains**
  - b. Interest**
  - c. Dividends**
  - d. Rental Income**
  - e. Passive Investor**

# MEDICARE TAX ON UNEARNED INCOME

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

# **REQUIRED MINIMUM DISTRIBUTIONS**

# REQUIRED MINIMUM DISTRIBUTIONS (RMD) – AGE 72

1. **Age 72**
2. **If You Reached The Age Of 70 ½ In 2019, The Old Starting Age Of 70 ½ Applies**
3. **Applies To IRA Accounts: Can Aggregate**
4. **401(k), 403(b), 457(b) Plans: Applies Unless You Own 5% Or More Of Company: Each Plan Calculated Separately**
5. **Income Taxable**
6. **Prior Year-end Balance Divided By Distribution Period**
7. **Use Uniform Lifetime Table For Distribution Period**



# REQUIRED MINIMUM DISTRIBUTIONS (RMD) – BENEFICIARY IRA: NON-SPOUSE

## BEFORE 2020

1. Still Have To Complete Owner's RMD If Required In Year Of Death
2. RMD Is Based On Your Age In Year Following Death
3. Separate Beneficiary IRAs – Cannot Combine
4. Take Prior Year-end Balance And Divide By IRS Single Life Expectancy Table
5. For Each Subsequent Year, Subtract 1 From The RMD Factor In The Prior Year



# REQUIRED MINIMUM DISTRIBUTIONS (RMD) – BENEFICIARY IRA: NON-SPOUSE

**AFTER JANUARY 1, 2020**

1. **Non-Spouse Beneficiary Must Withdraw Enter Value Of IRA By December 31 Of The 10<sup>th</sup> Year After Original Owner Died.**
2. **Applies To Traditional and Roth IRAs**
3. **Spouse Beneficiary Can Still Take RMD Based On Life Expectancy**
4. **Exceptions To 10-Year Rule**
  1. **Minor Children (10-Year Rule Applies Once They Reach Age 18.**
  2. **Disabled or Chronically ill**
  3. **Individuals Within 10 Years Of Age Of The Deceased**



# **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. First year eligible – when taxpayer is age 70 1/2**
- 7. Beneficiary IRA Is Eligible As Long As Beneficiary Is Over Age 70 1/2**



# **ROTH IRA CONVERSIONS**

# **ROTH IRA CONVERSIONS**

- 1. No Modified Adjusted Gross Income Limits**
- 2. Ordinary Federal Income Taxes On The Converted Amount**
- 3. Earnings May Be Withdrawn Without Tax Or Penalty:**
  - a. At Least 59 ½ And,**
  - b. Held The Roth IRA Account For At Least Five Years**
- 4. No Required Minimum Distribution For Roth IRAs**
- 5. Federal Income Taxes Should Be Paid With Non-IRA Assets**
- 6. The Tax-Free Status Can Be Passed To A Beneficiary**

# **ROTH IRA RECHARACTERIZATIONS**

- 1. No Longer Allowed For Roth IRA Conversions**
- 2. Can Still Recharacterize Traditional Or Roth IRA Contribution**

# **RETIREMENT PLAN ROTH IRA CONVERSIONS**

- 1. Applies To 401(k), 403(b) and 457(b) Governmental Plans**
- 2. Employer Does Not Have To Offer.**
- 3. Convert Pre-Tax Or After-Tax Contributions To A Roth Account.**
- 4. Roth Account Is Within Retirement Plan.**
- 5. Only Vested Amounts Are Eligible.**
- 6. Recharacterization Is Not Allowed.**

# **GIFTING**

# **ANNUAL GIFTING**

- 1. \$15,000.00 Per Year Per Person**
- 2. Gift Should Be Cashed Or Deposited By Before December 31, 2021**
- 3. No Annual Limitation For Gifts For:**
  - a. Tuition**
  - b. Medical**

# **GIFTING APPRECIATED SHARES OF AN INVESTMENT**

- 1. Avoiding Capital Gains On Significant Appreciated Investments.**
- 2. To Charities And To Family Members**
- 3. To Children (Be Aware of Kiddie Tax).**
- 4. Generally, Income Tax Deduction To Charity Based Upon Fair Market Value (Subject To Certain Limitations And Restrictions)**
- 5. Annual Gifting Limits To An Individual (\$15,000.00 In 2021).**

# **QUALIFIED BUSINESS INCOME**



# **QUALIFIED BUSINESS INCOME**

- 1. 20.0% Deduction Of Qualified Business Income**
  
- 2. Applies To:**
  - a. Partnerships**
  - b. S Corporation**
  - c. Sole Proprietorship**
  - d. Limited Liability Company (LLC)**
  - e. 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**

- 1. Passive Activity Loss Carryover**
- 2. Consider Disposing Of That Activity**
- 3. 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**

- 1. Reevaluate Portfolio Risk**
- 2. Property And Casualty Insurance**
- 3. Life Insurance**
- 4. Disability Insurance**
- 5. Long-Term Care Insurance**
- 6. Social Security Planning**
- 7. Medicare Planning**
- 8. Refinance**
- 9. Identify Theft**
  - a. Credit Monitoring Service**
  - b. Protect Your Documents**
- 10. Estate Planning**
  - a. Review Beneficiary Designations**

# QUESTIONS AND ANSWERS

Q & A

A 3D rendered graphic of the text 'Q & A'. The letters 'Q' and 'A' are bright red and have a thick, blocky appearance. The ampersand '&' is a light gray color and is smaller in scale than the letters. All three characters are positioned on a white surface, casting soft, light gray shadows beneath them. The overall style is clean and modern.

# CONTACT INFORMATION



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