Beyond THE NUMBER$…

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IN THIS ISSUE

CPA HARTMAN, BLITCH & GARTSIDE
CERTIFIED PUBLIC ACCOUNTANTS

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Dear Clients & Friends,

We hope this note finds you safe and well…and, despite the crazy year, enjoying the holiday season.

We all know 2020 has been a year of change like no other. While the events were often sad and breath-taking, they also **helped us focus on those things and people we truly appreciate.** Please know: *we're grateful for you, your business and your friendship.*

Apart from the bigger world and national events, we've also experienced several changes, as we settled in our new office and welcomed additional staff. **Thank you for working with our new team members** and enabling us to continue meeting your accounting needs.

We remain here, ready and available for you by phone, in person or via Zoom. If you'd like to discuss some of the retirement plan changes (and opportunities) included in the first CARES Act, or need to make some last-minute financial moves to prepare for **next year's tax returns** (because most tax strategies to lower your 2021 tax bill must be implemented before the end of 2020), we can meet whichever way you find most comfortable and at your convenience.

You can **schedule an appointment on our newly updated website**, or simply call the office and choose your tax advisor's extension, or mine, 315.

As this year of uncertainty draws to a close, we know a few "constants" feel good, so please consider us **one of your constants you can count on.**

We hope you and yours **celebrate safe and joyous holidays…**and here's to an exciting, **healthier and happy 2021!**

Sincerely,

Adam

Adam M. Robinson, CPA

Tax Planning…
without a Government Tax Plan

November's election outcomes make year-end tax planning something of a gamble—how lucky do you feel? You could plan for—and take the appropriate actions—for significant tax changes…only to learn the first week of January most of your changes weren't necessary.

A new Biden Administration has promised to raise certain taxes, but the likelihood of the new president getting his way is lessened if his party's nominees don't win both Georgia Senate seats in the state's Jan. 5 runoff election.

Both Democrats must win their races to control the Senate, putting Democrats in complete control of the law-making institutions: both houses of Congress and the presidency.

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Tax Planning…
without a Government Tax Plan

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But even if one Republican wins, the chamber keeps its GOP majority and the likelihood of sweeping tax law changes greatly diminishes. Your year-end planning could prove not necessary at best, and perhaps detrimental, just five days into the new year! However, some change is almost certain, with the give-and-take of the legislative compromise process. Biden's stated goal is to raise taxes on those earning $400,000 or more, but two proposed increases could actually affect those making much less:

- **Taxes on capital gains at time of death.** Right now, capital gains are not taxed at all when someone dies. His or her heirs pay only gains on the value of assets from the day of inheritance, not gains based on the original purchase price.
- **Estate and gift taxes reverting back to the 2009 law.** The current estate tax exemption is $11.58 million, up from the $3.5 million in 2009. This 70% decrease in the allowable exemption could affect a lot of people not earning $400,000.

If you think you (and your heirs) may be impacted, you could give some of that future inheritance to them before Dec. 31…but immediately become less whole financially…when in the end no action may be necessary at all. Let's discuss your particular situation to determine the best course of action.

Other tax-raising changes in the Biden plan include:
- **Raising the top tax rate** to the pre-2018 39.6% versus the current 37%;
- **Raising the long-term capital gains rates**, changing the current top rate of 23.8% to 39.6%;
- **Levying the Social Security tax on employment earnings above $400,000:** the current cap is $137,700. The taxes above this threshold up to $399,999 will be subject to the Medicare tax, but not social security taxes, creating a Social Security tax 'donut hole'; and
- **Reducing the impact of itemized deductions**, setting the effective rate at 28% for those making above $400,000, regardless of which tax bracket they're in. (Currently, if you're in the 37% tax bracket, your $10,000 donation would be worth a $3700 deduction; the new rule would limit that deduction to $2800.)

While you may not be impacted by these specific changes, tax increases in coming years are almost a certainty (given the COVID-19 spending). One strategy, where possible, is accelerating income and deductions into the more tax favorable 2020:
- taking capital gains,
- converting traditional IRAs to Roth IRAs, and
- making larger charitable contributions

before year-end could reduce your future tax burden.

Of course, taxes are just one frame of your overall financial picture. If you're concerned about the effects of the proposed tax increases, we're here to help…but please call to schedule an appointment soon—Dec. 31 will get here fast!

Congress Puts More COVID Relief Under the Tree

After months of partisan bickering, Congress overwhelming passed and the President signed a bipartisan COVID relief package...just in time for Christmas. For many businesses and citizens, it's urgently needed.

The package includes updates, extensions and revisions of many of the programs in the original Coronavirus Aid, Relief, and Economic Security (CARES) Act. The new law benefits businesses, nonprofits and individuals.

Key provisions include:

Individuals
- $600 stimulus payments for every American, with an extra $600 per minor child (an increase from $500). The payment phases out for individuals earning more than $75,000 and married couples making more than $150,000.
- Additional federal unemployment benefits of $300 through March 14, which includes self-employed and "gig" economy workers who also maintain a traditional job.
- Assistance to tenants behind in their rent and an extension of the federal eviction moratorium through January.

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Time's Running Out on 2020 Tax Planning:

Be Charitable *and* Proactive

You've still got time to do well by doing good—but only till Dec. 31 if you want to claim the deduction on your 2020 tax return.

The charitable contribution gets so much attention because it's one of the few deductions remaining for the average Joe and Jane. Different circumstances require different financial tools to maximize your philanthropic deduction.

Of course, the pandemic changed everything—even the 2020 charitable deduction rules. Ordinarily, you would need to itemize to claim the charitable contribution deduction, but this year everyone can claim up to $300 in monetary donations (not goods or services), even if you use the standard deduction.

To donate more, and claim the deduction, revert back to the good ol' days (of 2019), and you'll still need to itemize. We can help you use the time left to plan and execute your approach, enabling you to maximize your portfolio with minimum tax ramifications.

And as always, charitable contributions shouldn't be made solely for tax purposes. But if you're planning to support your favorite nonprofit(s), do it in the most mutually beneficial way possible.

Use Retirement Distributions or Capital Assets

One approach is contributing to tax exempt organizations using your retirement accounts'

required minimum distributions. You can reduce the taxable distribution on your tax return, up to $100,000 per taxpayer.

Another effective way to support your favorite causes? Use capital assets (such as stocks), which can be contributed to and liquidated by the charity with no tax effects for you. The gain you had previously deferred is not taxed, and you're able to deduct the entire fair market value of the assets contributed. A real win-win.

Benefits Even If You Don't Itemize

What if you don't have enough additional deductions to justify itemization (for donations above $300)? Donating stocks higher in value can still save you the capital gains taxes.

For instance, if you own stocks that increased in value and you want to make position changes, you might consider making gifts by stock, and reinvesting with money you already paid tax on. If you're repositioning stock anyway, avoid the gain while also making contributions to a cause you wish to help.

Tax Planning: Now a Multi-Year Approach

Wasn't tax reform supposed to make taxes easier? Now your plan really must look ahead more than just one year. Perhaps you combine your charitable donations with other deductions and repositioning this year to benefit from itemizing; then forgo significant contributions next year and simply use the standard deduction.

And remember, you've got till Dec. 31, 2020 to mail the check, give the cash or swipe the credit card. (Credit card donations made by the deadline count towards your 2020 deduction, even though you won't make the actual payment till 2021—an effective strategy if you anticipate needing more deductions this year than next.)

Bottom line: planning means more now than ever—and we still have a few weeks left. We'll work with you and your investment advisors to make your money work better for you. Call us for more information.

MARK YOUR CALENDARS! UPCOMING TAX DEADLINES

Individuals & Businesses:
Most 2020 Tax-Savings Strategies Completed Dec. 31, 2020

2020 IRA/SEP contributions may be made up to the filing deadline as long as the plan is set-up by Dec. 31.

Individuals:
Last 2020 Estimated Payment Due Jan. 15, 2021

If you believe your taxable income changed significantly in the last quarter of 2020, please contact us to adjust your estimated payment.

Businesses:
1099-NECs* & W2s Due Feb.1, 2021

**1099-NECs replace the 1099-Misc for nonemployee compensation.*

Merry Christmas
AND HAPPY NEW YEAR

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Congress Puts More COVID Relief Under the Tree

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- $300 ($600 per married couple) cash contribution deduction for taxpayers who don't itemize on their tax return. For those who do itemize, they can now claim and deduct up to 100% of their adjusted gross income (AGI) for charitable contributions in both 2020 and 2021.
- Deduction of medical expenses above 7.5% AGI made permanent.
- Lower excise taxes on wine, spirits and beer also made permanent—New Year's Eve here we come!

Businesses

Paycheck Protection Program (PPP) updates. The new law clarified and updated the popular small business program. Specifically:

- Expenditures paid from the proceeds of a PPP loan can be claimed as legitimate business expenses. The IRS had previously held since the PPP loan was tax-free income, the expenses paid with the funds couldn't be claimed.
- Another opportunity to request a PPP loan. The program, which previously prohibited more than one loan request, now permits a second loan if the business meets the following criteria:
  - Employs 300 or less;
  - Used (or will use) the total amount of its first PPP loan;
  - Suffered a loss of at least 25% in one quarter of 2020 compared with the same quarter in 2019; and
  - Certifies the loan is necessary "to support the ongoing operations."
- Additional items may be covered by PPP funds, including business software and cloud-computing, goods and services suppliers' costs, and property damage from the 2020 riots not covered by insurance. In addition, "payroll costs" include dental and vision insurance and group life and disability insurance.
- Calculation for this second PPP loan is based on 2.5 times the average monthly payroll during a one-year period prior to the date of receiving the loan or the 2019 calendar year.
- Loan forgiveness is simplified for amounts less than $150,000.
- Deadline to apply is March 31, 2021. And as with the first round of loans, receiving a PPP loan is public record, which some businesses may find unappealing.
- Business meals and beverages will be 100% deductible if purchased from a restaurant in 2021 and 2022.
- Subsidies and assistance for the hard-hit airline, entertainment venue, and farming industries.

The new law is more than 5000 pages long...so we couldn't cover it all here! If you have specific questions about your personal or business situation and how this COVID relief effort could benefit you, please schedule a call or visit with us.