

Top 10 Year-end Tax Planning Strategies



WEBINAR

December 15, 2020

Introduction

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Meet Our Panelists



Kasey M. Pittman
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Senior Manager, Tax



Jeffrey G. Williams
CPA
Partner, Tax



Jennifer French
CPA
Partner, Construction &
Real Estate Team Leader



Charles Dean Smith, Jr.
CPA
Partner, Tax

Legislative Update



Polling Question

Employers



Kasey M. Pittman

#10 Capture New 2020 Tax Breaks

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Capture New 2020 Tax Breaks

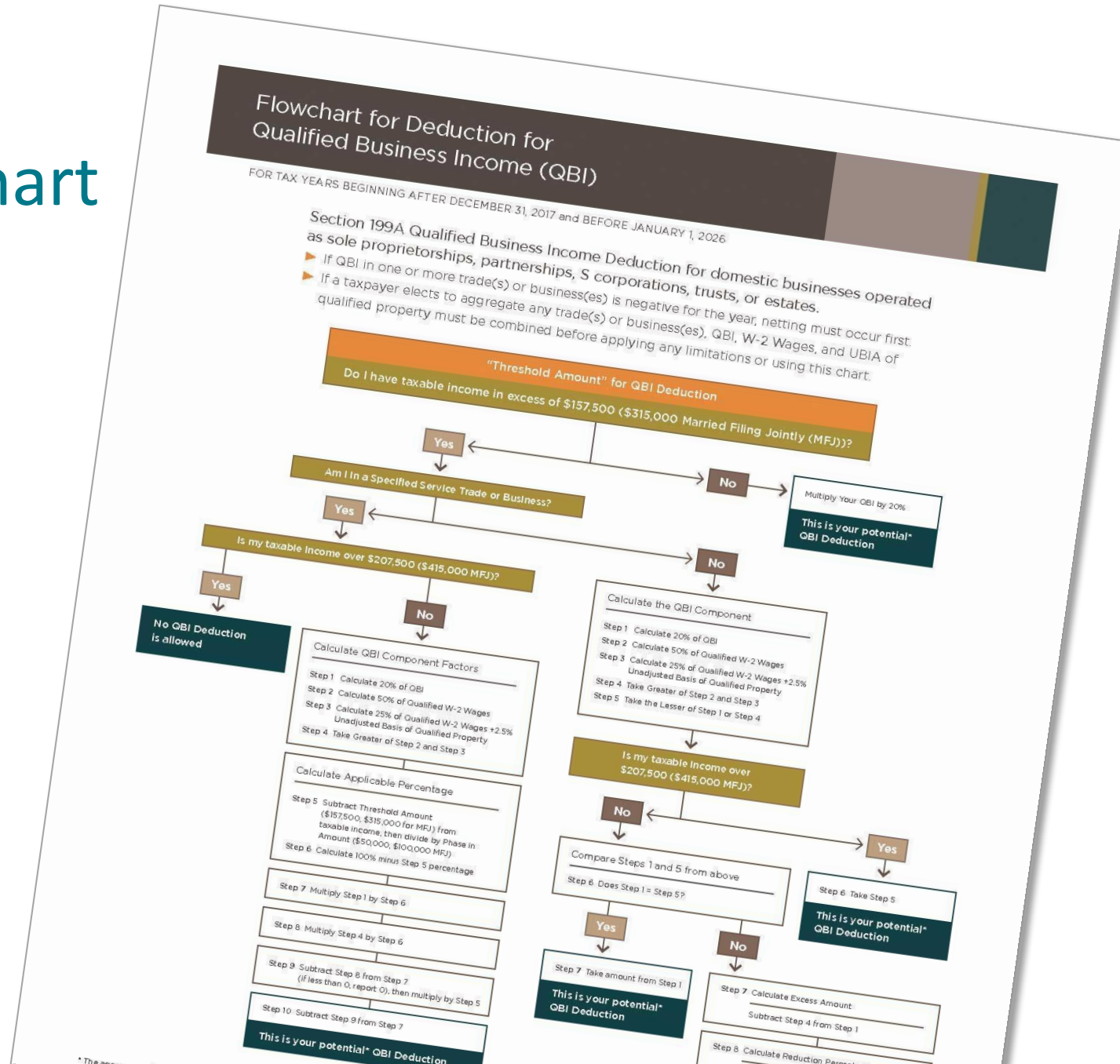


#9

Maximize QBI Deduction

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PBMares' QBI Flowchart



Expenses Incurred “As a Result of” COVID-19

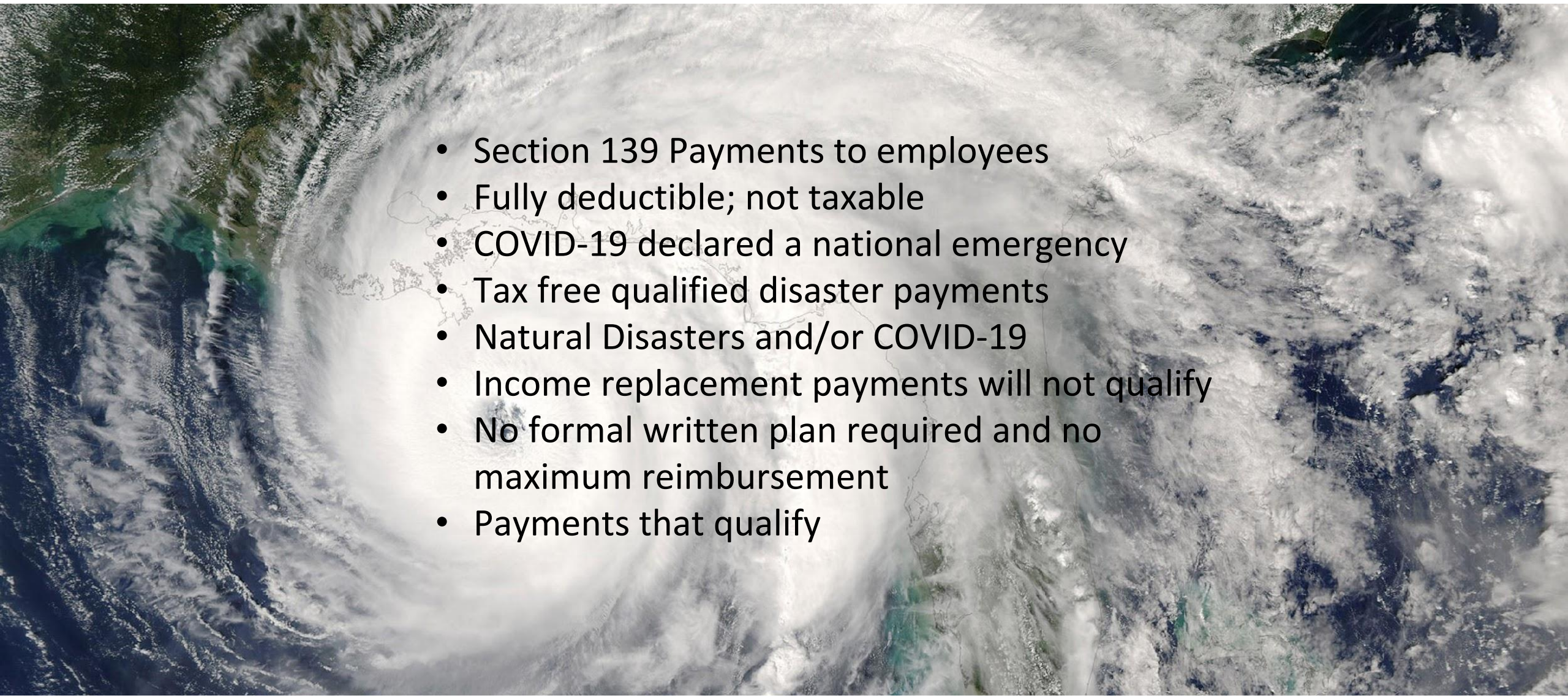


Jeffrey G. Williams

#8 Make Qualified Disaster Relief Payments

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Make Qualified Disaster Relief Payments


- 
- Section 139 Payments to employees
 - Fully deductible; not taxable
 - COVID-19 declared a national emergency
 - Tax free qualified disaster payments
 - Natural Disasters and/or COVID-19
 - Income replacement payments will not qualify
 - No formal written plan required and no maximum reimbursement
 - Payments that qualify

Family With Members in Lower Brackets

#7 Shift Income

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Shift Income

- 
- Leverage Lower Brackets: Consider Upstream and Downstream
 - Gift appreciated property to non-dependent family members
 - Business owners pay wages to their children, \$12,400 std deduction
 - Roth IRA for Children
 - Family Partnerships and Trusts
 - Below Market Rate loans
 - Kiddie Tax

#6 Optimize Retirement Plans

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Optimize Retirement Plans

- Fully fund retirement plans by the due date
- IRAs and Roth IRAs by April 15
- SEPS, Profit Sharing plans by the extended due date of the return

Polling Question

Individuals Taking Standard Deductions



Jennifer French

#5 Bunch Itemized Deductions

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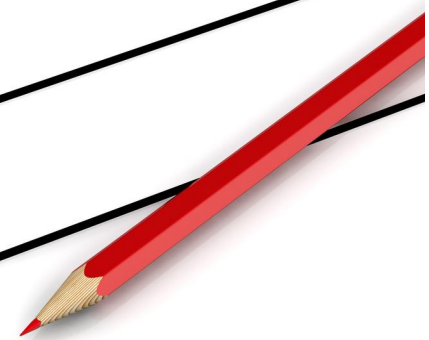
Bunch Itemized Deductions

- Standard deduction
Single; Married Filing Separately \$12,400
Married Filing Jointly \$24,800
Head of Household \$18,650

Exceed the threshold by:

- Bunching Medical Expenses
- Bunching Charitable Donations
- Donating Appreciated Property
- Donor Advised Funds

TAX DEDUCTIONS:



For Those Anticipating Higher Future Rates

#4 Convert to Roth IRA

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Convert to Roth IRA

- Re-characterization
- Converting IRA to Roth IRA
- Roth option in 401K



For Those With 2020 Capital Gains

#3 Reduce Capital Gains

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Reduce Capital Gains

- Charitable Giving
- Harvest Capital Losses
- Like Kind Exchanges –
Real Estate Only!
- Qualified Opportunity Zones

Generally Business Owners



Charles Dean Smith, Jr.

#2

Generate Net Operating Loss

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Optimize 2020 NOL amount for larger tax refunds



- 2020: Generate a larger NOL to get cash refunds!
- CARES Act temporarily changed NOL rules for 2018-2020 to allow a 5 year carryback
- Temporarily suspended \$500K business loss limitation rules for individuals
- Income tax rates prior to 2018 were 39.6% for individuals and 35% corporate

How to Generate a Larger NOL for 2020

- Purchase equipment before year-end
- Review 2018-2020 building renovation costs
- Review aged accounts for write-offs + year-end expense accruals
- Consider year-end payments for employees
- Review existing accounting methods for possible changes



#1 Buy Business Property

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Purchase equipment by year-end for 179 and bonus depreciation maximization

- Higher 179 limits and 100% bonus
- Roofs, HVACs, security/alarm systems now eligible for 179
- Utilize bonus depreciation to generate larger NOL for c/b
- New and used equipment eligible for bonus depreciation
- Higher depreciation limits for SUVs/Trucks over 6,000 GVWR



- Review building renovation costs for QIP opportunities
- Watch state depreciation rules for expense addbacks
- Review expenses in light of repair regulations
- Watch placed in service rules, especially on buildings

Questions



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The screenshot shows the PBMares Focus website. At the top left is the PBMares logo with the tagline "Your Future. Our Focus." and a navigation menu with links for SERVICES, INDUSTRIES, PEOPLE, RESOURCES, LOCATIONS, and CONTACT. A search icon is also present. The main header features a blurred image of a road from a driver's perspective, with the PBMares Focus logo and tagline "Insights for Smarter Decisions" overlaid. Below the header, the word "Insights" is displayed on the left, and "Home / Insights" is on the right. The main content area contains three article teasers. The first article is titled "Exempt Organization Inflation Adjusted Items for 2021" and includes a photo of two people in a grand building. The second article is titled "New 2020 Form 1099-NEC" and includes a photo of a 2020 Form 1099-MISC. The third article is titled "Virginia Employment Laws Expanded to Require New Hire Reporting of Independent Contractors" and includes a photo of oranges and a green apple. On the right side of the page, there is a PBMares Focus logo, a green button labeled "VISIT OUR COVID-19 RESOURCE CENTER", a "CONNECT WITH US:" section with a form for name, phone number, and email, and a "SEARCH BY TOPIC:" section with a search bar. At the bottom right, there is an "EXPLORE POSTS BY CATEGORY:" section.

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Exempt Organization Inflation Adjusted Items for 2021

Rev. Proc. 2020-45 provides annual inflation adjustments for more than 60 tax provisions, including those affecting exempt organizations. (authored by RSM US LLP)

November 17, 2020 | Categories: Not-for-Profit | Tags: Authored by RSM US LLP [Read More >](#)

New 2020 Form 1099-NEC

NEW FORM 1099-NEC: The PATH Act accelerated the due date for filing Form 1099 that included nonemployee compensation (NEC) to January 31, and Treasury Regulations eliminated the automatic 30-day extension of time to file for forms that included NEC.

November 17, 2020 | Categories: Tax, Business | Tags: 1099-MISC; Martha McCoy [Read More >](#)

Virginia Employment Laws Expanded to Require New Hire Reporting of Independent Contractors

A new but perhaps little-known law in the State of Virginia requires that all employers, labor organizations, and hiring halls report information about newly hired independent contractors to the state's New Hire Center.

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