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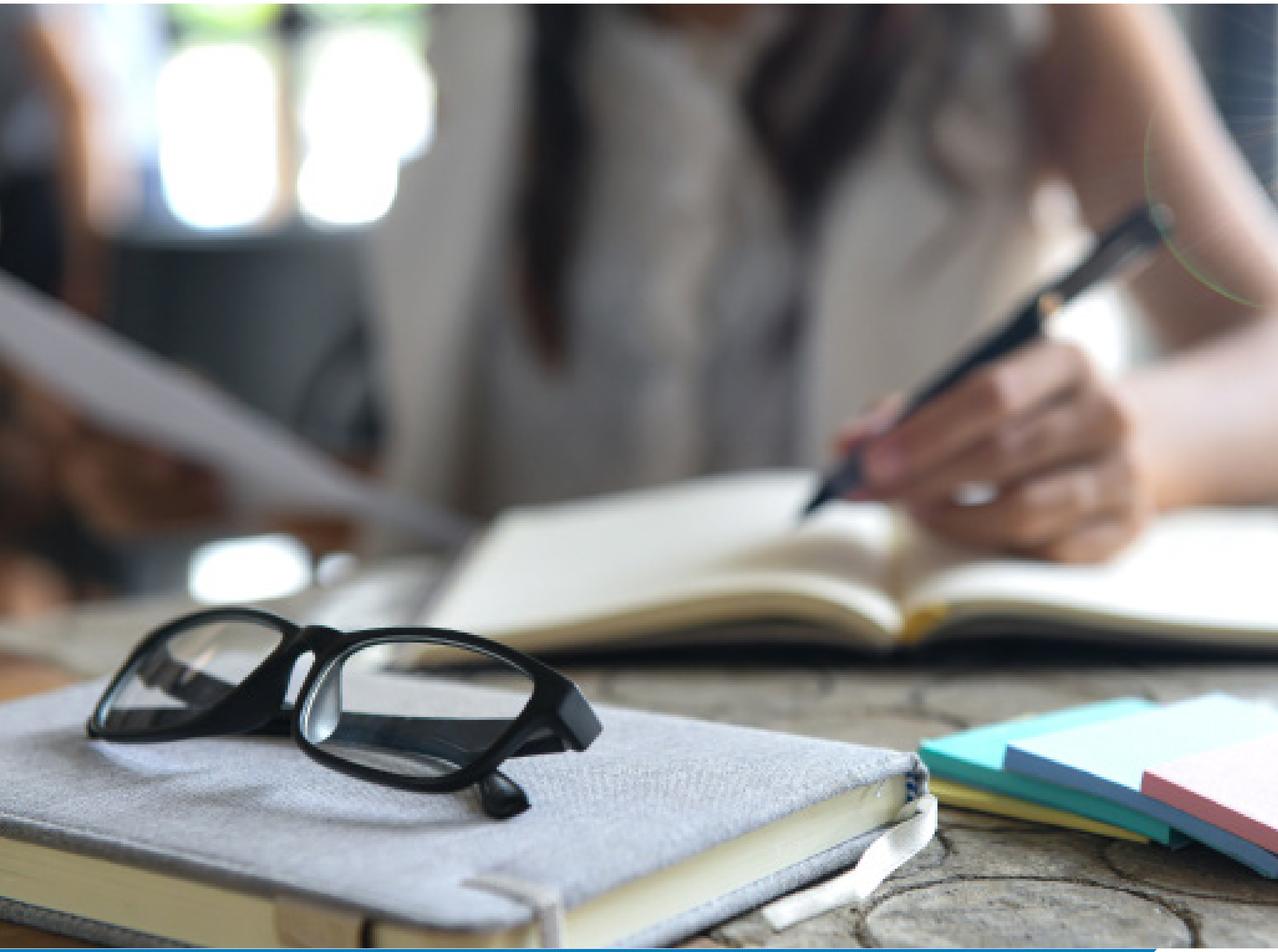


Mid-Year Tax Planning Ideas

Although the deadline for filing 2019 taxes may have just passed in July, it is already time to think about your 2020 taxes. By looking at your tax situation now, you'll be able to better plan and implement strategies to minimize your tax liabilities.

Mid-Year Tax Recommendations for Individuals & Families

The unique circumstances of 2020 may have opened up some additional tax-saving options for families. This white paper covers these options as well as typical mid-year tax planning strategies.

Make Smart Investment Moves

The stock market has experienced some wild fluctuations, with some stocks soaring and others plummeting. If you experienced any short-term capital gains in the market, which are subject to higher taxes, you might want to sell some of your "losing" stocks to offset those gains. Selling losing securities is a way to offset short term gains as well as up to $3,000 of regular income.

Consider Making Charitable Donations

Even when we aren't in the midst of a global pandemic, charitable giving is a savvy mid-year tax strategy. If you are in a position where you are looking to reduce taxable income, charitable gifts are usually a way to give to a worthy cause, while reducing tax liability. Thanks to the CARES Act, you can claim a deduction up to $300 for qualified donations, even if you do not itemize in 2020. And, if you're looking to donate even more and you itemize your deductions, the limits have been increased from 60% to 100% of adjusted gross income for 2020.

Roll Over Your Minimum Distribution

If you are at a stage in your life where you must take required minimum distributions (RMDs) from retirement accounts, the CARES Act may help you save money. The CARES Act provides for a one-year waiver of the payment of required minimum distributions from defined contribution plans and IRAs required for 2020. And if you did receive any RMDs earlier this year, you have until August 31st to roll them over to an IRA or other qualified employer plan.

Access 401(k) Funds with Fewer Restrictions

To help individuals struggling to make ends meet, the CARES Act eased the rules for 401(k) plan loans taken between March 27, 2020 and September 23, 2020. Plan participants can borrow up to 100% of their vested benefit as compared to the usual 50%. However, you are limited to a maximum loan amount of $100,000, which was increased from $50,000. However, we only recommend using 401(k) funds as a last resort. If you have any other options available, you should consider those before borrowing against your retirement savings.

Take Advantage of Childcare Tax Credits

Parents of minor children faced additional struggles this year finding childcare when schools and daycares were shut down. One tax-friendly option that you may have is hiring a family member to watch your kids while you work. Not only does this place your children in the care of someone you trust, you can claim a credit of up to 20% of the first $3,000 of childcare expenses for one child, and 20% of the first $6,000 for two or more children.

Mid-Year Tax Recommendations for Small Business Owners

Much like individuals have some additional tax strategies available in 2020, business owners may experience some tax benefits from an otherwise unfortunate situation.

Catch Up on Your Estimated Quarterly Payments

If you are self-employed or otherwise normally make estimated quarterly tax payments, the IRS extended the due dates for the first two quarters until July 15th. Normally, those installment payments are due on April 15th and June 15th. If you have not already made your estimated tax payments, now might be the time to catch-up. If you make your catch-up payment by September 15th, you can stop the interest penalty assessed on estimated tax underpayments.

Payroll Tax Credits

The CARES Act enabled business owners to claim payroll tax credits for wages paid between March 12, 2020 through January 1, 2021. This applies to businesses that had to suspend operations during any calendar quarter in 2020 due to orders from an appropriate governmental authority due to COVID-19 or experience a significant decline in gross receipts during the calendar quarter. The maximum credit amount is $5,000 per employee.

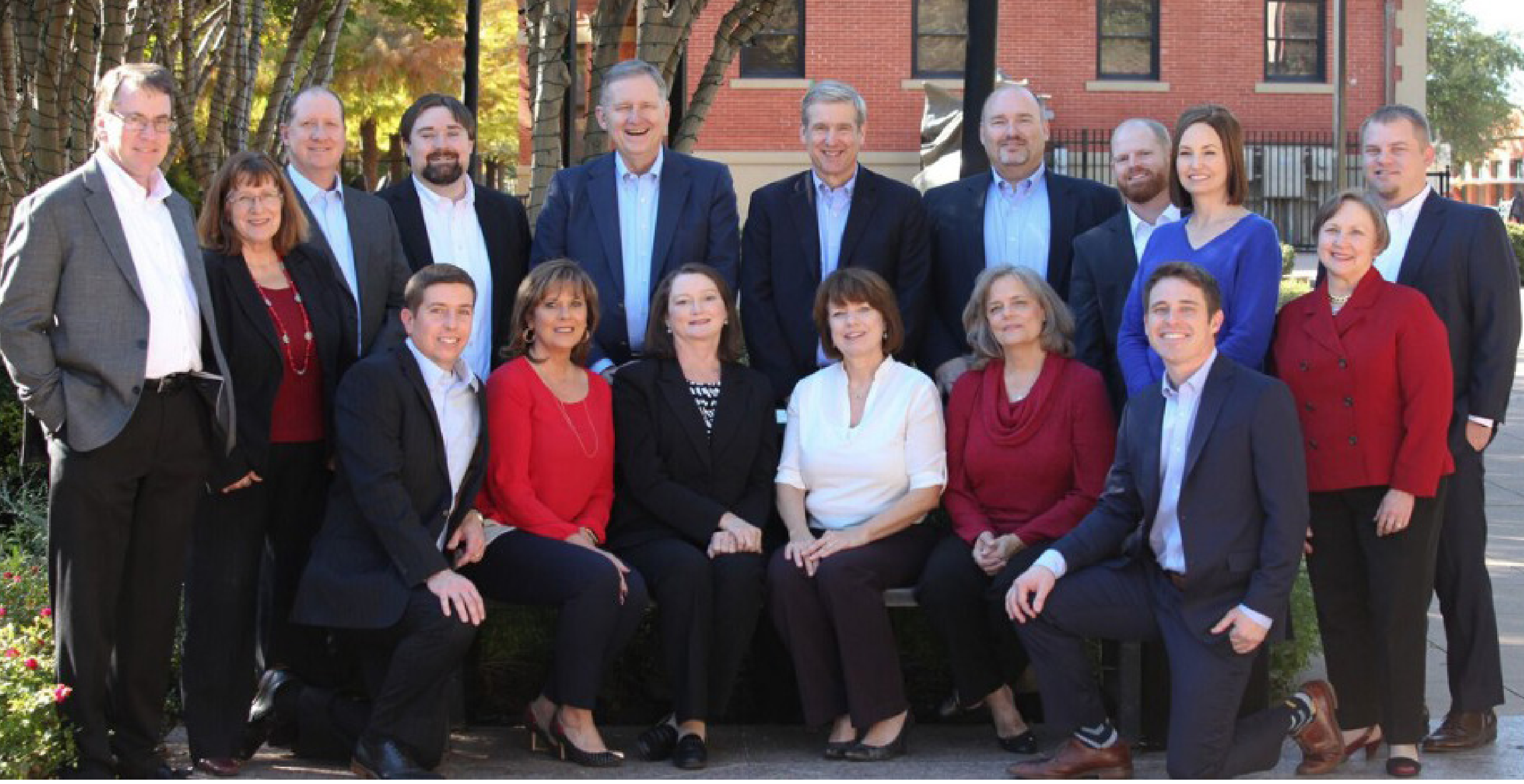
Additionally, the CARES Act allows employers to defer the deposit and payment of the employer's share of Social Security taxes and self-employed individuals to defer payment of certain self-employment taxes for up to two years. While the CARES Act applies to the employer's portion of the social security tax, an executive order that was signed on August 8th of 2020 permits employers to defer the withholding, deposit, and payment of the employee's portion of social security tax. This payroll tax deferral applies to employee wages paid between September 1st and December 31st of 2020 and only for employees who make less than $4,000 during any bi-weekly pay period.

Work-From-Home Deductions

If you are self-employed and have been working from home in 2020, you can take a deduction for your home office. If you use a portion of your house exclusively for business, you can deduct a portion of your rent or mortgage interest, utilities, property tax, and insurance.

Final Thoughts

2020 has brought an entirely new set of complications to financial management and tax planning, among other things. The best way to deal with volatility, though, is thorough planning. Whether you are a business owner or not, advance planning can help you minimize your tax liability and maximize your cash flow. Please contact our office for any questions or to discuss your specific situation.



About Condley and Company, LLP

In a world of numbers and bottom line solutions, it's easy to overlook that success in business is really about relationships. At Condley & Company, L.L.P, we're proud to have many long-standing clients. Our founders and partners have instilled in the firm a culture that offers financial services with a personalized approach. With every client we serve, we aim to listen to and truly understand the people behind the numbers, so we can help them reach their goals. That's what Condley & Company is all about.

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