

Memo

To: All Clients - Merry Christmas and Happy New Year!
From: Gregory Barford
Date: 12/3/20
Subject: Individual Income Tax Planning for 2020

As always, tax planning requires a combination of multi-layered strategies, taking into account a variety of possible scenarios and outcomes. Every person has a unique tax situation, and the actions below are of a general nature. Following up with our office is extremely important to chart a proper course of action.

1. Retirement Plans- Consider maximizing your retirement contributions, which will lower your overall tax burden. You have until the last payroll of 2020 to maximize your employer- sponsored retirement plan as follows:

Employer Plan Type	Under Age 50	Age 50 and Over
Simple IRA	\$13,500	\$16,500
401K and 403B	\$19,500	\$26,000

For IRAs that are *not* employee sponsored, you have until April 15, 2021 to maximize your contributions for 2020. The maximum contribution is \$6,000 for those under age 50 and \$7,000 for those over age 50.

2. Deferring Income and Deferring Expense Deductions- Defer any income that you can until 2021. Accelerate paying any deductible expenses in 2020. However, there may be certain circumstances where the opposite strategy should be followed. Everyone has unique circumstances that determine whether it makes sense to defer or accelerate income or deductions for 2020.
3. Capital Gains- Before 12/31/20 consider selling investments that have permanent losses that are not going to rebound. This will help offset capital gains and will create capital losses that may be deducted. Any losses may be used to offset capital gains dollar for dollar; the maximum capital loss deduction is \$3,000 with any excess amount carried over to future years.
4. HSA Contributions- If you have a high-deductible health plan, consider a health savings account. *You have until April 15, 2021 to make contributions to HSA's for 2020.* The table below shows the maximum allowable amounts for 2020:

Plan Type	Under Age 55	Age 55 and Over
Single Plan	\$3,600	\$4,600
Family Plan	\$7,200	\$8,200

5. Flexible Spending Account (FSA) Contributions- An FSA allows you to set aside pretax dollars to cover unreimbursed medical expenses. For 2020, you can contribute up to \$2,700 to an employer-sponsored FSA and carry over as much as \$550 from one year to the next.

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