

Shavano

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Tax Season Checklist **CHANGES**

We may have said goodbye to 2020, but we haven't closed the books on the 2020 tax season. Among the highs and lows of the past year were some changes from the IRS that could also affect your tax bill. Be sure to consider the following:

Charitable Extras | If you were a generous giver in 2020, the federal government wants to reward you. Individual taxpayers who use the standard deduction can claim an "above-the-line" deduction of up to \$300 for cash contributions made to qualifying charities during 2020. Individuals who itemize may claim up to 100% of their adjusted gross income in 2020 (limits usually range from 20% to 60%). If you're a business owner, you may have additional charitable deductions you can utilize, including an increased 25% limit for C Corporation cash donations and for qualifying food inventory donations.

Retirement Reminders | **If you haven't already funded your existing retirement accounts for 2020, there's still time to do so. Funding an account like a traditional IRA, ROTH IRA, or SEP can be a great way to reduce your tax obligation — and it's the gift that keeps on giving as your retirement funds grow tax-free. Be sure to talk to your tax advisor about any changes in the rules and contribution amounts before acting, though.** Rules around safe harbor 401(k) and 401(m) plans and 403(b) retirement plans, in particular, have changed recently.

Business Deduction Changes | If you took a PPP loan in 2020, here's a vital development: You can deduct business expenses paid with the funds 100%, even when the PPP loan has been forgiven (or you expect it to be forgiven). What's more, owners of pass-through entities can receive a basis step-up in their stock/partnership interest for any tax-exempt income from a forgiven PPP loan. Approved expenses have also expanded and include additional operational expenses, property damage, supplier costs, and personal protection equipment (PPE). **Thankfully, the CARES Act also allows you to offset 100% of the income you earned in prior years with any COVID-related losses in 2020, so it would be wise to dig back into the records to determine your best strategy.**

The IRS also loosened restrictions on deducting certain qualified transportation fringe (QTF) benefits, including parking expenses, traveling to and from work, and peak demand during federally declared disasters (like the pandemic). **And if you're self-employed and worked from home exclusively in 2020, don't forget to take advantage of the home office deduction. If you used an area in your home for work only, you could save additional taxes.**

Land and Real Estate Investment Changes | If you're invested in Opportunity Zones (economic development projects in distressed

areas), take note: Qualified Opportunity Fund (QOF) owners are being asked to correctly self-certify on an annual basis. Failing to do so could result in audits for both the QOF owners and their investors. Be on the lookout for a Letter 6251, Reporting Qualified Opportunity Fund (QOF) Investments, for an indication your QOF investment needs review.

And for those involved in like-kind property exchanges, final rules were released in November addressing the definition of real property under section 1031 and the receipt of personal property that is incidental to real property. According to the IRS, real property includes "land and generally anything permanently built on or attached to land." It can also include property that is characterized as real property under applicable state or local law.

There's still time to strategize around many of these changes to reduce your 2020 tax obligations, but the clock is ticking. Don't take more hits from 2020 than you need to, including on your tax bill.

Steven Bankler has more than 43 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection as well as exit strategy services for closely-held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations and estate planning. Visit www.bankler.com for additional tax strategy tips and to learn more about Steven Bankler, CPA, Ltd.

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