

2020 YEAR-END TAX PLANNING CHECKLIST

The emergence of a global pandemic, an extraordinary election season and market volatility are a few aspects that have shaped 2020 into an unprecedented year. While the Coronavirus Aid, Relief, and Economic Security (CARES) Act helped to offset the initial effects of the pandemic, economic recovery persists. Amid economic rebound, tax planning is crucial to optimize tax savings opportunities. Assess your tax plan as year-end approaches.

Whether acting on legislation in the CARES Act, the election or general IRS guidance, each individual's tax situation is unique and should be evaluated with your trusted tax advisor. The following checklist will help you identify key activities to consider as part of your yearly tax planning.

INCOME TAX

- Tax loss harvesting in light of the 2020 election:
 - If taxes remain unchanged or decrease, consider harvesting capital losses to offset realized capital gains.
 - If taxes are slated to increase, consider delaying harvesting capital losses until 2021 to offset against future capital gains.
- Accelerate deductions and defer income in light of the 2020 election:
 - If taxes remain unchanged or decrease, consider accelerating deductions to 2020 and deferring income to 2021.
 - If taxes are slated to increase, consider accelerating income to 2020 and deferring deductions to 2021.
- Fully fund Health Savings Accounts (HSAs).
- Confirm that you have spent the entire balance in your Flexible Spending Accounts (FSAs) by the plan deadline.
- Fully fund 529 education savings accounts and recontribute any tuition-related refunds that have been issued to avoid paying penalties and taxes on non-qualified distributions.
- Be aware of the Alternative Minimum Tax (AMT).
- Evaluate application of the 3.8% surtax on net investment income.

Key tax and wealth planning considerations

October 2020

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- Send capital gains and investment income information to your accountant for a more accurate year-end projection.
- Evaluate the states where you will be subject to tax.
- Manage your taxable income to qualify for the 199A Qualified Business Income (QBI) Deduction, if applicable in light of the 2020 election:
 - Consider potential changes to the tax landscape, including a careful analysis of the timing of deductions to the future to ensure using the QBI deduction to its fullest extent in 2020.

PHILANTHROPIC CONSIDERATIONS

- Review charitable contributions in light of the CARES Act:
 - For taxpayers who itemize, review charitable contributions to maximize income tax deduction of up to 100% of Adjusted Gross Income (AGI) for cash donations.
 - For taxpayers who do not itemize, review charitable contributions to maximize income tax deduction of up to \$300 for cash donations.
- Consider bunching charitable gifts (perhaps using a donor advised fund) to take the standard deduction in one year and itemized deduction in another year.
- Consider donating appreciated capital gain assets that have been held for more than one year, rather than cash.

RETIREMENT CONSIDERATIONS

- Maximize your retirement plan contributions (including alternative Roth strategies).
- Maximize contributions to qualified retirement accounts (including additional make-up contributions if age 50 or older) in light of the 2020 election:
 - If taxes are slated to increase, utilizing these accounts for maximum savings will have an even greater benefit.
- If you are a business owner or self-employed individual, consider establishing a Simplified Employee Pension (SEP) IRA.
- Consider converting your Traditional IRA to a Roth IRA as a way to pay taxes on the IRA now in the event income taxes increase in the future.
- Review and update pre-tax and Roth contributions to retirement accounts.
- Review tax withholding on your retirement account distributions making any desired changes for the new year.
- In light of the CARES Act and IRS guidance, understand how the RMD waiver for 2020 has affected your qualified retirement accounts.
- Review any Medicare and other insurance enrollment options adjusting as necessary during the applicable enrollment periods.

TRANSFER TAX

- Review the use of annual exclusion gifts (for 2020, \$15,000 per recipient for an individual and \$30,000 per recipient for a married couple).
- Review the use of the unlimited gift exemption for direct payment of tuition and medical expenses.
- Review lifetime gift and generation-skipping tax (GST) gifting opportunities to use additional applicable exclusion and exemption amounts (\$11.58 million per person and \$23.16 million per married couple in 2020).
- Evaluate options for using trusts and other vehicles to benefit families and charities.
- Consider intra-family loans and opportunities to leverage the low interest rate environment.
- Consider intra-family loan forgiveness using the annual and lifetime gift tax exclusions.
- Revisit grantor retained annuity trusts (GRATs) for use in the current low interest rate environment.

PLANNING FOR 2021

- Discuss major life events with your trusted advisor, such as marriages or divorces, births or deaths in the family, job or employment changes, and significant planned expenditures (real estate purchases, college tuition payments, etc.).
- Review Medicare Part D for plan changes during 2021 open enrollment, which begins October 15 and lasts through December 7 for an effective date of January 1, 2021.
- Review beneficiary designations and update as necessary.
- Anticipate quarterly estimated tax payments.

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Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A. Incorporated with limited liability in the U.S.

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