

# Personal Taxes in the 2020 Pandemic...What can you do now?

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Create Opportunities

# Agenda

2020 Form 1040 changes

Charitable giving

Stimulus checks - EIP

IRS notices

Retirement opportunities

What else?

# Do you file a 1040 return?



You are in the right place

**I'd like to cancel my  
3 month trial of 2020.  
Not impressed.  
Do not recommend.**



# 2020 – Form 1040 Changes again!

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# Changes to Form 1040 for 2020

Virtual Currency –  
moving to Page 1  
Form 1040

At any time during  
2020 did you  
receive, sell, send,  
or exchange any  
financial interest in  
virtual currency?

More numbers...

Form 1040 is going  
from 24 lines over  
two pages to 38  
lines due to new  
rules

Charitable  
contribution  
deduction – above  
the line

Estimated tax  
payments and  
amounts applied  
from 2019 – will  
move from  
Schedule 3 to line  
26 of the main  
1040 form

Recovery rebate credit

This new item, on line  
30 is for amounts that  
the taxpayer was  
owed under the  
Economic Impact  
Payment (EIP) Program  
created by the CARES  
Act less amounts  
already paid to the  
taxpayer



# Charitable Giving

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## CARES Act relief - \$300

- The Coronavirus, Aid, Relief and Economic Security (CARES) Act contains a provision under which, for 2020, taxpayers who do not itemize their deductions can take a **\$300** "above-the-line" deduction for charitable contributions.
- New line 10b is used to take that deduction.





## CARES Act relief - \$300

- Can you still claim Standard deduction? – YES
- If you Itemize your deductions – you will take your charitable donations on Schedule A -as usual
- Cash Donations made to qualified 501(c)3 organizations (Public Charities) qualify

## More Charitable changes for 2020

- The CARES Act raised the bar for the deductible amount of donations for those itemizing – it's now up from 60% to 100% of AGI
- This is for CASH donations to Public Charities- any PC, not just Corona related
- NOTE: contributions made to donor advised funds are not eligible for this incentive



*Non-profits love cash!*





# Stimulus Check – thank you

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## a/k/a Economic Impact Payment- recovery rebate

- U.S. resident individuals who are not dependents of another taxpayer will (or did) receive a “**recovery rebate**” of \$1,200 (\$2,400 MFJ), plus an additional \$500 per qualifying child.
  - The rebate begins phasing out for incomes over \$75,000 (\$112,500 HOH; \$150,000 MFJ) and is reduced by \$5 for every \$100 that the taxpayer’s income exceeds the threshold. The rebate is available only for individuals & children who have a social security number.

## Example:

- You filed your 2019 MFJ tax return and you had 3 qualifying children and your AGI was \$159,000
  - Your EIP deposit = **\$3450**
  - $\$2,400 (2 \times \$1,200) + \$1,500 (3 \times \$500) = \$3,900 - \$450$   
phase out = Total of \$3,450



## Economic Impact Payment – Who is not eligible?

- If your Adjusted Gross Income is greater than:
  - \$198,000 if your filing status was MFJ
  - \$136,500 for head of household
  - \$99,000 for all other eligible individuals
- You can be claimed as a dependent on someone else's return.



## Economic Impact Payment – Who is not eligible?

- A person with no Social Security number that is valid for employment.
- A nonresident alien.
- An incarcerated individual.
- A deceased individual.
- An estate or trust.



## Update as of August 19,2020

- People who have no income or low-income & who aren't required to file a tax return may be eligible for an EIP and can easily register for a payment by using the free Non-Filers tool by October 15, available only on IRS.gov.
- Check the IRS.gov tool - [Do I Need to File a Tax Return?](#) - to see if you have a filing requirement or can benefit by filing a 2019 tax return. This includes those who file a tax return to get a refund even if though they are not required to file.



## Reconciling on your 2020 Tax Return

- New line 30, on Form 1040 for recovery rebate credit
- Is this payment includable in gross income for 2020?
  - No, it will not be included in your taxable income on your federal tax return or pay income tax
  - It will not reduce your 2020 refund or increase the amount you owe



# I don't qualify for the amount I received?

- Do I have to pay back any of the payment?
  - No, no provision in the law requires this





# IRS Notices

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# What the heck is up with the



- IRS NOTICES going out— don't panic!
- First step-



- Notices have automatically come out from the IRS-  
looking for payment.
  - Backlog of mail sitting in IRS service centers
  - Returns processed before the payment applied



# Retirement Opportunities -2020

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## Waiver of early withdrawal penalty

The 10% penalty on an early withdrawal from a retirement account is waived for up to \$100,000 of distributions for coronavirus-related purposes made on or after 1/1/20. A distribution is coronavirus related if made to an individual:

- Who is diagnosed with SARS-CoV-2 or with COVID-19 by a test approved by the CDC;
- Whose spouse or dependent is diagnosed with SARS-CoV-2 or COVID-19; or



## Waiver of early withdrawal penalty - continued

- Who experiences adverse financial consequences because of quarantine, furlough, lay off, work hour reduction, or inability to work due to lack of child care

A taxpayer who takes a coronavirus-related distribution can either report the distribution as ordinary income ratably over a three-year period beginning in 2020 or can recontribute the funds to a retirement plan within three years to avoid tax on the withdrawal altogether.





## Waiver of early withdrawal penalty - continued

*Example:* Mindy receives a distribution of \$90,000 from her IRA on September 15, 2020. Mindy ratably includes the \$90,000 distribution in income over a 3-year period (or not). Without any recontribution, she will include \$30,000 in income with respect to the coronavirus-related distribution on each of the 2020, 2021, and 2022 Form 1040. She includes \$30,000 in income with respect to the coronavirus-related distribution on the 2020 federal income tax return. Then on 11/11/21, she recontributes \$40,000 to her IRA (and makes no other recontribution in the 3-year period). She now has a few options to consider:



# What are Required Minimum Distributions?

RMDs are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 72 ( 70 ½ if you reached this age before 1/1/20).



# What types of retirement plans require RMDs?

The RMD rules apply to all employer sponsored retirement plans, including:

- profit-sharing plans, 401(k) plans, 403(b) plans, and 457(b) plans.
- to traditional IRAs and IRA-based plans such as SEPs, SARSEPs, and SIMPLE IRAs.
- to Roth 401(k) accounts. **However, the RMD rules do not apply to Roth IRAs while the owner is alive.**



# Waiver of Required Minimum Distributions (RMDs) for 2020

The CARES Act waives the RMD rules for certain defined contribution plans and IRAs during 2020.

- If you took it and decided you didn't need- you could have put back, but had to do it by 8/31/20

**Example:** Pat has an IRA. Pat turns 70 on May 1, 2019. Pat did not receive her RMD on or before January 1, 2020. She does not have to take a RMD in 2020.



# Can I give my RMD to Charity?

YES

Qualified Charitable Deduction (QCD)

Up to \$100,000 per year

The income is not taxable to you

No charitable deduction

Valid acknowledgement from the charity is needed

IRS is clueless if you did this...1099-R looks the same



## What else?

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# What else?



Can I carryback an" NOL? from 2018 or 2019?



Business interest rules changed in 2020 – can you amend to capture any of those suspended expenses?



Loss harvesting or Gain harvesting – stock activity has been very interesting this year!

## What else about stocks?

Don't forget to use stock to make charitable donations!

Benefits:

- No income tax paid on the appreciation of the stock
- Donation is at Fair Market Value at the time of the gift
  - ◇ Publicly traded stock with ascertainable FMV
- Donate to Public Charities -501 (c)3s, Churches, & Donor Advised Funds



## How much do you have paid in?

- Check your withholding-look at your Paystub
  - Are you paying enough in?
  - Do you need to make ES payments – 2 left for 2020
  - Will you owe or will you get a refund?
    - ◇ You can plan for this!



# Roth Conversions – fun stuff!

- ROTH IRAs
- Creates more taxable income in the year of conversion
- Taxed at ordinary rates
- Can't be undone
- Why would you do this?





# Tax Preparer or Tax Planner

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## Your CPA- Tax Preparer or Tax Planner

- Tax prep is what turbo tax does – historical view of last year; it's reactive; tax preparers look back
- Tax planners look at the future, not only this year but years to come; it's proactive; forward looking
- In retirement, if you plan for income, you must plan on how income will be taxed



*Those who fail to plan, plan to fail!*





# Create Opportunities

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# Thank You