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Dear Friends:

With year-end approaching and the unsettled situation in Washington, DC, it is important to evaluate your tax status in a proactive way for the tax year 2020.

Given the uncertainty of the impact the election result will have on taxes, consulting a tax professional for income tax planning is even more important. The candidates have vastly different tax proposals. On one hand, the Tax Cuts and Jobs Act of 2017 (TCJA) would be re-examined and in some cases repealed, and on the other the TCJA would be made permanent.

Frost Law 2020 YE Tax Planning Overview

By Mary Lundstedt, Esq. & Pauline Stavrou, Esq., CPA

In addition to the uncertainty, **the tax law remains complex under either scenario**. Some examples of the significant tax planning complexities involve the laws: 1) affecting deductions and credits depending on adjusted gross income (AGI); 2) imposing additional taxes at higher levels of AGI, such as the net investment income tax; 3) imposing Alternate Minimum Tax; and 4) allowing for net operating losses to be carried back to older years and generate refunds that were previously unavailable.

Unless you proactively analyze your 2020 income tax situation now, **you risk** missing out on an opportunity to take advantage of available tax breaks. Planning can help take advantage of the Qualified Business Income deduction, maximize your retirement savings, maximize refundable credits that are paid to you regardless of what you have paid in, and take advantage of lower tax brackets, to name a few.

Recent laws have provided **new tax breaks** such as:

- Generally, 2020 net operating losses (NOLs) can now be carried back 5 years or elected to be carried forward indefinitely. Also, the 2020 NOL can offset 100% of the taxable income in the carryback year as opposed to just 80%.

- An election by a Maryland passthrough entity, such as an S corporation or partnership, to deduct Maryland state taxes at the entity level, can result in substantial tax benefits for federal income tax purposes for Maryland residents. Without the election, the Maryland state tax payments would be limited as part of the \$10,000 state and local tax maximum on Schedule A, Itemized Deductions.
- COVID-19 related 401k and IRA distributions, meeting certain requirements and up to \$100,000 in aggregate, are exempt from early withdrawal penalties and have deferral of income tax features.

Other new challenges and opportunities this year are the many COVID-19 related programs such as the Small Business Administration (SBA) Grants, SBA Economic Injury Disaster Loans (EIDLs), SBA Paycheck Protection Program (PPP) Loans, Payroll Retention Credit, Payroll Delayed Deposit Program, revised Sick Pay regulations, and revised Family Medical Leave Act regulations. The IRS continues releasing guidance on important tax provisions related to these programs; however, some provisions still need clarification by Congress. We continue to monitor both the IRS and Congressional pronouncements for updates on how your situation is affected.

Find this info and more at [AskFrost.com](https://www.AskFrost.com) 

Your income tax planning strategy will depend on your circumstances. **Some year-end planning ideas include:**

- Increasing withholdings or making estimated tax payments to reduce underpayment of 2020 estimated taxes
- Deferring or accelerating income
- Deferring or accelerating expenses
- Timing investment sales to generate capital gains or losses
- Utilizing carryforwards
- Receiving or delaying IRA distributions
- Converting IRAs to Roth IRAs
- Donating to a charitable organization directly from IRA or Roth IRAs
- Contributing to retirement plans
- Contributing to/utilizing health spending and savings accounts

These are only some of the income tax planning opportunities available. The tax planning strategy best for you depends on your tax facts and circumstances. We advise you to consult a qualified tax professional before taking any tax planning actions.

Your tax savings will be directly related to the accuracy and sufficiency of the information provided for projection purposes. We look forward to assisting you in your 2020 year-end income tax planning strategy.

If you have any questions, or wish to [set-up an appointment](#), please contact our office at 410-862-2673 to talk with one of our tax professionals today.

Additional Resources



A Red Card for Puerto Rico Tax Incentives?

In the 2018 book Red Card - How the U.S. Blew the Whistle on the World's Biggest Sports Scandal, author Ken Bensinger spends 368 ...

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SBA Appears Poised to Release New Form for Large PPP Borrowers

On October 26, the Small Business Administration (SBA) issued a notice proposing new Form 3509, Loan Necessity Questionnaire ...

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2020 Election Results Could Dramatically Alter Estate Tax: Create Your Ready-to-Implement Contingency Plan

Joe Biden contends that the Tax Cuts and Jobs Act of 2017 ("TCJA") changes need to be reexamined and, in many cases, repealed - ...

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