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CLIENTUPDATE

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Cut your tax bill with these new laws

Here are several new tax laws passed this year to consider as you start planning your 2020 tax obligation.

Donate up to $300 to your favorite charity.

For the 2020 tax year only, an above-the-line deduction of $300 is available to all Americans who want to donate to their favorite charity. While you will still need to itemize your deductions if you want a tax break for donations greater than $300, this break helps alleviate the elimination of the charitable deduction for most taxpayers. (NOTE: $300 is the maximum above-the-line deduction per tax return, regardless of filing status.)

What you need to do. *Donate $300 to your favorite organization(s) by Dec. 31, 2020. You must receive a written acknowledgment from the organization(s) to which you made the $300 contribution before filing your 2020 tax return.*

Donate up to 100% of your income.

The normal contribution limit of 60% of your income is suspended for 2020, allowing you to contribute as much of your income as you want to various charities.

What you need to do. *If you are considering additional giving, you must make your charitable contributions by December 31, 2020. Remember to obtain written acknowledgment from each charity you donated to before filing your 2020 tax return.*

Use retirement savings to pay for birth or adoption expenses.

Adding a child to your family is very expensive. To help with these costs, you can now cash out up to $5,000 per parent from your retirement accounts to pay for birth and/or adoption expenses. While the withdrawal won't be hit with the 10% early withdrawal penalty, you'll still have to pay income taxes.

What you need to do. *Consult your financial advisor or benefits coordinator to find out how to withdraw the funds from your retirement accounts. Since this withdrawal will deplete your retirement savings, first consider whether you have other sources of cash to cover expenses.*

No age limit for contributing to IRAs.

You can now contribute to an IRA regardless of your age as long as you have earned income. The old rule prevented you from contributing to an IRA past age 70½. The IRA contribution limit for 2020 is $6,000 if you're under age 50 and $7,000 if you're age 50 and over.

What you need to do. *Consider getting a part-time job or doing some consulting work if you project that you won't have earned income by the end of 2020. You can then use this earned income to fund your traditional or Roth IRA.* ♦

2020 TAX FACTS

115,861,167
Total Returns Received by IRS

91,924,933
Total Refunds Issued

$2,882
Average Refund Amount

9,476,860
Returns with Itemized Deductions

23,639,360
Returns with Child Tax Credit

(As of May 2020)

IRS Tax Notes

IRS interest rates decrease in the third quarter

Interest rates for the third quarter in 2020 will decrease compared to last quarter. These rates are: 3% for overpayments (2% for corporations); 0.5% for the portion of a corporate overpayment over $10,000; 3% for underpayments and 5% for large corporation underpayments.

Didn't file your return by July 15? File now to avoid a bigger bill.

For those who missed the July 15 tax deadline and didn't request an extension, the IRS reminds taxpayers to file electronically as soon as possible to reduce potential penalties. If a refund is due, there is no penalty for filing after the July 15 (but before the October 15) deadline.

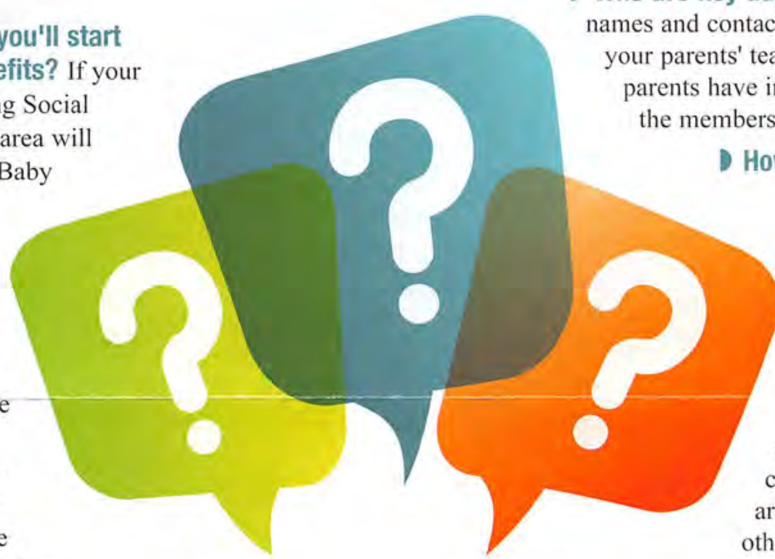
Use this website to check on your tax refund status

The best way to check on the status of a tax refund is visiting irs.gov/refunds and clicking on "Check My Refund Status." There is still a delay in processing paper returns because of limited staffing at the IRS, so if you're expecting a refund and paper filed your 2019 return, you may need to wait longer than normal. ♦

Financial questions to ask mom and dad

Many Americans are now focusing on their own finances due to the pandemic. But don't neglect helping those closest to you with their finances as well, especially aging parents. Here are some questions to ask your parents to help them sort through their financial picture.

Have you decided when you'll start taking Social Security benefits? If your parents have not started taking Social Security, a discussion in this area will help both of you. Generally, Baby Boomers can receive their full amount of benefits at age 66, but benefits increase gradually if they wait longer, reaching the peak at age 70. Conversely, if your parents intend to retire early, they may wish to start receiving reduced benefits as soon as age 62. To add more complexity, a spouse can take retirement benefits from their partner's work history. Often a rule of thumb is if you expect to live past 80, consider delaying when you first receive benefits, if you can afford to do so.



Do you have a durable power of attorney? If you need to act on behalf of your parents regarding financial matters, you will need a power of attorney. Without this document in place, you'll have to go to court to get guardianship of your parents in order to access their financial accounts.

Is there an executor? Who is responsible for going through everything when necessary? You don't really need to know who it is, just that there is someone in place with a potential backup executor if the primary executor is unwilling or unable to help.

Where do you keep financial records? Does someone, other than your parents, know where financial documents and information are stored? This includes bank account numbers along with usernames and passwords for websites.

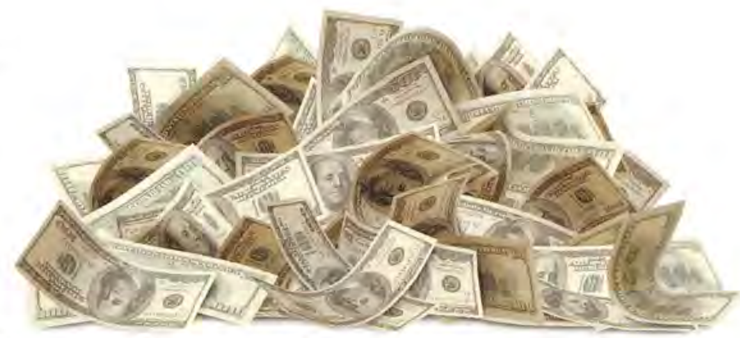
Who are key advisors? The executor will need the names and contact information for each member on your parents' team of trusted advisors. Ideally your parents have introduced their executor to each of the members of their team.

How are you planning to pay for long-term care? One of the leading financial concerns of people is the possibility of paying exorbitant amounts for long-term care in a nursing home or with stay-at-home assistance. Traditionally, this was handled by long-term care insurance to absorb at least some of the cost. Unfortunately, these policies are now very expensive. But there are other ideas that can help, including certain tax-advantaged insurance policies and establishing a trust to shield assets from nursing home costs (subject to certain restrictions for Medicaid assistance).

Do trusts need to be created or updated? Although there are numerous types of trusts, each with a various purpose, your parents may use a trust to preserve assets for their heirs. They are also used to avoid probate. An irrevocable trust can fully protect assets, but your parents must give up all control over their assets. In contrast, a revocable trust can be modified (where your parents can still change beneficiaries), but offers less protection.

Remember, your goal is not to pry into your parents' finances, but to help ensure a plan is in place. And as an added benefit, many of the questions outlined here are great to apply to your own situation! ♦

Small business owners get good news about PPP loan forgiveness



Small business owners, self-employed workers and freelancers received some welcome news when Congress passed the Paycheck Protection Program Flexibility Act. This law clarifies how businesses can qualify to have all or a portion of its Paycheck Protection Program (PPP) loan forgiven.

What you need to know

December 31, 2020 is the new deadline to spend loan proceeds. When the PPP program was rolled out this spring, businesses were given 8 weeks after loan funding to use the loan's proceeds if they wanted to qualify for loan forgiveness. That timeline is now 24 weeks. Due to the extended stay-at-home orders and further assessment of the pandemic, the new deadline is now effectively December 31, 2020.

More non-payroll expenses qualify for forgiveness. The original law required 75% of loan proceeds to be spent on payroll. For businesses with high cost of goods sold or who had trouble convincing furloughed workers to return to work, hitting this 75% threshold was problematic. The new law reduces the amount of loan proceeds required to be spent on payroll to 60%.

More flexibility in fully restoring your workforce. You now have through December 31, 2020 to restore your workforce levels and wages to the pre-pandemic levels required for full forgiveness. There are three exceptions allowed for not having a fully-restored workforce by Dec. 31. You can adjust your loan forgiveness calculations because of:

- Employees who turn down good faith offers to be re-hired at the same hours and wages as before the pandemic;
- Difficulty finding qualified employees;
- COVID-19 related operating restrictions

Loan terms extended. For loans that do not qualify for forgiveness, borrowers now have up to five years to repay the loan instead of two. The interest rate remains at 1%. Since your bank has 60 days to process your loan forgiveness application and the SBA has 90 days to process the request, your initial payment is now effectively due five to six months after submitting your forgiveness application.

What you need to do

- **Download Form 3508EZ Application Form.** If you are a self-employed worker, independent contractor or sole proprietor who has no employees, you may be eligible to use the EZ Loan Forgiveness Application.
- **Download Regular Application Form.** If you aren't eligible to use the EZ Loan Forgiveness Application, then you'll need to complete the regular loan forgiveness application.
- **Stay in contact with your lending institution** about when and how to complete the loan forgiveness application, including which application form you should fill out.
- **Consider reaching out to your legislators** to let your voice be heard on how you were impacted and to share your story on your PPP loan experience as several U.S. Senators indicated that there will be more changes in the future regarding the program. ♦

PPP Loan Statistics

LOAN SIZE	LOAN COUNT	DOLLARS LOANED	PERCENTAGE
< $100K	4,133,422	$109 billion	21%
$100K TO $1M	868,229	$234 billion	45%
> $1M	81,934	$178 billion	34%
TOTAL	5,083,585	$521 billion	100%

Source: Treasury.com website

Your Tax Calendar

September 15

- ☐ Filing deadline for 2019 calendar-year S corporation and partnership tax returns on extension.
- ☐ 3rd quarter installment of 2020 estimated income tax is due for individuals, calendar-year corporations and calendar-year trusts & estates.

October 15

- ☐ Filing deadline for 2019 individual and calendar-year C corporation tax returns on extension.

During November

- ☐ Estimate your 2021 income tax liability and review your options for minimizing your 2020 taxes. Call to schedule a tax planning review.

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CLIENTUPDATE
PRACTICAL TAX & FINANCIAL ADVICE

Common mortgage refinancing mistakes

With 30-year fixed rate mortgages approaching historical lows of 3%, you may be thinking about refinancing an existing mortgage. But you better read the fine print before signing on the dotted line to avoid paying too much money. Here are some common mistakes homeowners make when refinancing their mortgage.

Not shopping around

When looking to refinance a mortgage, many homeowners simply check a couple advertised rates and pick the lowest one. But there are many factors affecting the total cost of refinancing, so it pays to carefully look at not just rates, but also terms and fees offered by different lenders.

Remember that a mortgage with a lower rate and higher closing costs from one lender can ultimately cost more overall than a mortgage with a higher rate but lower closing costs from another lender.

Saying yes to current mortgage loan forbearance

Loan forbearance occurs when your current lender allows you to either delay making a payment or lower your future payments. If you are considering refinancing in the future, think twice before taking advantage of this offer. Accepting a bank's offer to skip a couple payments, even during a pandemic, may signal cash flow problems to your next lender that could negatively affect your mortgage refinancing options.

Not improving your credit score

The willingness of banks to lend you money at favorable rates is often contingent on your credit score. You must therefore know your current score and actively work to improve it. So don't take out a new loan or credit card in the months leading up to refinancing. Also pay your bills on time and never use more than 15% to 20% of your available credit line on credit cards. By improving your credit score you can vastly improve your interest rates and related closing fees.

Not looking over the good faith estimate

Origination fees, points, credit reports and other fees are all included with closing costs when refinancing a mortgage. These fees are not finalized until you receive a good faith estimate. Any changes you notice on this estimate compared to what you were originally told is a red flag. Compare the final refinancing document you're about to sign with the rates and fees initially presented to you. Challenge any increases.

By being aware of refinancing pitfalls, you can actively eliminate any surprises and create a situation where multiple lenders are fighting for the right to lend you funds. ♦