

Some items to consider

The 2020 tax year is coming to an end and most people cannot be rid of this year faster. Although you may be trying to keep your head down and just make it through the rest of the year, we have a few tax implications for you to consider.

Check your paycheck withholding:

Some have not yet adjusted their withholding from the changes in the 2018 tax rates. 2020 has affected income for many. You may want to verify that the right amount of taxes is currently being withheld from your paychecks. You can use the IRS website's tool that does quite a bit of the work for you. You will need a paystub and a tiny bit of math skills but it could save you money now instead of waiting for a refund in 2021. Here is the URL/link for the IRS website

<https://www.irs.gov/paycheck-checkup>.

Unemployment Income:

If you are/were receiving unemployment, remember, it is considered taxable income. Either consider making estimated payments or set aside funds to pay the taxes when your returns are prepared. Do not be blind sighted.

Look for "new" tax savings

If you are self-employed, you may be eligible for a home office deduction. If you meet the qualifications you could choose to use the simplified method or regular method. In summary, the simplified method is based on office square footage, the regular method requires tracking all expenses and the percentage where the office is used.

Also, there is a new federal tax deduction for up to \$300 for charitable contributions even if you do not itemize. If you do itemize, you can deduct more.

Medical costs could also be a deduction for you if your income was low enough. Start keeping those receipts.

Maximize retirement savings

If your income did go up, you could help reduce your tax liability by making additional contributions to a 401(k). Of course, verify that you are not making excess contributions.

Retirement Accounts:

If it was financially plausible for you to do so, many refrained from taking out their 2020 RMD. This could save you on your taxes since you will not be picking up the foregone distribution as income.

On the other hand, is converting to a Roth right for you?

Small business:

If you applied for any government assistance programs such as a PPP loan or an EIDL loan, there will be potential tax repercussions there to consider. Some expenses may not be deductible, some amounts received may be taxable, numerous effects on your 2020 income. Please reach out to us if you have any questions on this, we would be happy to help.

Overall, this year has been a whirlwind for everyone and it wouldn't hurt to be more aware of your 2020 tax return earlier this year. It could save you from unwanted surprises in 2021. We all know we do not need any more of those for a while!