

Items of Note for 2020 Tax Returns

The 2020 tax filing season officially starts on Friday, February 12, 2021, when the IRS will begin accepting and processing 2020 tax returns. The individual tax filing deadline is currently **Thursday, April 15, 2021**. In addition to 2020 tax changes that were set to occur (new standard deduction amounts, income thresholds for tax brackets, certain tax credits, and an increase in retirement savings limits), several additional changes for the 2020 tax year were brought on by coronavirus-related legislation (CARES Act). Note, if you received an Economic Impact Payment (EIP) also known as a Recovery Rebate, it will **not** add to your taxable income in 2020 (or any other year). If you received IRS Notice 1444 "Your Economic Payment", please provide this notice to us with your other tax documents.

Summary of some pertinent scheduled changes for 2020 individual tax returns:

- Standard deduction amounts have been increased for all taxpayers, as follows:
 - Single and Married Filing Separately (MFS) - \$12,400
 - Married Filing Jointly (MFJ) - \$24,800
 - Head of Household (HOH) - \$18,650
- The SECURE Act (Setting Every Community Up for Retirement Enhancement) key provisions:
 - Raises the age for required minimum distribution (RMD) from IRAs/other qualified plans from 70½ to 72.
 - Removes maximum age limits on IRA contributions, formerly capped at age 70½.
 - Elimination of "Stretch IRAs". Effective for participants or owners dying on or after Jan. 1, 2020, the SECURE Act requires (with some exceptions) distributions to be taken within 10 years of the participant's or owner's death.
 - Effective for retirement plan years beginning after Dec. 31, 2020, the SECURE Act requires plans to allow 401(k) plan participation by long-term, part-time employees (employers are not required to make nonelective or matching contributions).
 - The act allows distributions from a 529 plan to be used to pay principal and interest on student loans of the designated beneficiary or the beneficiary's sibling, up to a lifetime limit of \$10,000. In addition, 529 plans may now be used to pay for fees, books, supplies, and equipment required for participation in certain apprenticeship programs.

Summary of some pertinent CARES Act key provisions for 2020 individual tax returns:

- Required minimum distributions (RMDs) for IRAs/defined contribution plans, such as profit sharing and 401(k) plans, were waived for 2020, including first RMD if you reached age 70½ during 2019.
- Retirement plan distributions of up to \$100,000 can be taken during 2020 without penalties if the participant or spouse is diagnosed with COVID-19 (or experienced adverse financial consequences as a result of being quarantined, furloughed, laid off or had hours reduced).
 - Any distributions can be repaid within three years and will not be subject to taxation.
 - Amounts not repaid will be included in taxable income over a three-year period.
 - In lieu of distributions, loans of up to \$100,000 from plans can be taken.
- Deduction of \$300 in charitable contributions "above-the-line" (charitable contributions made to a private foundation or donor-advised fund, are not eligible for the above-the-line charitable deduction).

