

November 2020 TaxInsight



Tax Checkup

Do you know how much your taxes are going to be next year? Does your refund or balance due always come as a surprise? I can help you avoid any uncertainty. There are several ways to help manage your refund or balance due:

- **Change your adjusted gross income (AGI).** By contributing to an IRA or HSA with after-tax dollars, you may be able to decrease your AGI so that you can qualify for certain credits. In 2020, there is an additional adjustment available. Up to \$300 in cash charitable gifts can be taken as an adjustment to income. This means you can get a small charitable deduction even if you don't itemize.
- **Change your withholding.** On your W-4, you can withhold extra amounts to manage your refund or balance due.
- **Make an estimated tax payment.** You can incur underpayment penalties and interest if your balance due is \$1,000 or more. If you anticipate that your total balance due is at least \$1,000, you can make an estimated tax payment before January 15 to minimize or eliminate penalties and interest.

- **Change the timing on your charitable gifts.** Your itemized deductions may be about the same as your standard deduction. By either bunching gifts before the end of the year or waiting until after January 1, you can maximize your benefit from those contributions.

Example: June and Ward generally have \$21,800 in itemized deductions other than charitable gifts. They usually make donations of \$2,000 at the end of the year. If they make these donations in 2020, they'll have itemized deductions of \$23,800 in 2020, and \$23,800 in 2021. If they make the donations in 2021, their standard deduction in 2020 is \$24,800, and their itemized deduction in 2021 is \$25,800.

Why is this important? By managing your refund or balance due, you can avoid penalties for underpayment of taxes while keeping as much of your paycheck in your pocket as possible.

Tax Notes

Remember, the IRS will never initiate a collection effort with a phone call. In addition, collection efforts do not begin with a collection agency. Collection efforts begin with a letter, and only after the taxpayer fails to comply will the IRS turn the debt over to a collection agency. If you receive a call, and aren't sure whether it's on the level, contact my office so we can create a plan.

Did You Know?

The Leonid meteor shower will peak on the night of November 16/17. This year, it coincides with a new moon on November 15, so the sky should be as dark as it gets in your area. In the hours before dawn, you'll be able to see up to 10–15 meteors per hour.

Quote Corner

“Almost everything will work again if you unplug it for a few minutes, including you.”

~ Ann Lamott

