# Tax Tips Ahead of Tax Day 2020

Another tax season is in full swing and tax day is quickly approaching. It may be too late for significant planning to reduce your tax bill for 2019, but there are a few things you can do now to put yourself in the best position possible:

**Contribute to Your Retirement Accounts**

If you haven't already funded your retirement account for 2019, do so by April 15, 2020. That's the deadline for contributions to a traditional IRA, deductible or not, and to a Roth IRA. If you have a Keogh or SEP and you get a filing extension to October 15, 2020, you can wait until then to put 2019 contributions into those accounts. To start tax-free compounding as quickly as possible, however, make the contribution as soon as possible.

Making a deductible contribution will help you lower your tax bill this year. Plus, your contributions will compound tax-deferred.

For 2019, the maximum IRA contribution you can make is $6,000 ($7,000 if you are age 50 or older by the end of the year). For self-employed taxpayers, the maximum annual addition to SEPs and Keoghs for 2019 is $56,000.

Although choosing to contribute to a Roth IRA instead of a traditional IRA will not cut your 2019 tax bill since Roth contributions are not deductible, it could be the better choice because all withdrawals from a Roth can be tax-free in retirement.

**Make a Last Minute Estimated Payment**

If you didn't pay enough to the IRS during the year, you may have a big tax bill in April. Additionally, you might owe significant interest and penalties. According to IRS rules, you must pay 100% of last year's tax liability or 90% of this year's tax or you will owe an underpayment penalty. If your adjusted gross income for 2018 was more than $150,000, you have to pay more than 110% of your 2018 tax liability to be protected from a tax year 2019 underpayment penalty.

If you are underpaid for the year, it may be a good idea to make a late Q4 payment as soon as possible to limit your interest and penalties.

**Organize Your Tax Records**

Good organization won't necessarily reduce your tax bill, but it will make tax season run more smoothly for you and your CPA. For many taxpayers, the biggest hassle at tax time is getting all of their documentation together. It's generally best to send your information to your CPA as soon as possible to avoid last minute stress. Here are a few tips to get started:

- Refer to the client tax organizer your CPA provided; use it as a guide for what you need to provide.
- Gather all of the forms that have come in the mail since January, such as W-2s, 1099s and mortgage interest statements. Be careful not to throw out any tax-related documents.
- Collect receipts and information that you have accumulated during the year.
- Summarize income/expenses from rental properties and detail of rental property sales.
- Alert your CPA to any changes in your lifestyle, such as a new dependent, or starting a new business.

Sometimes, even with the best of intentions, taxpayers have no choice but to file an extension.

For example, a delayed 1099 from your brokerage account could potentially hold up your filing plans.

Additionally, investors in partnerships generally have to wait until they get a Schedule K-1 from the entity. This document spells out the filer's share of income and losses. These taxpayers generally need to file for an extension.

**Look for Tax Breaks**

Consider if you qualify for one of the many deductions/credits available to taxpayers. Did you have a child in daycare during the year? What about a child away at college whom you still support, or did you make donations to a charitable organization? All are questions to think about as you plan for tax day 2020.

For instance, those who donated to their favorite causes and wish to claim a charitable deduction must have the appropriate acknowledgement letters from the charities.

However, you must itemize on your tax return to deduct your donations. Many taxpayers no longer receive this benefit since the standard deduction increase after the Tax Cuts and Jobs Act was enacted. You now must surpass the standard deduction of $12,200 for singles or $24,400 for married filing jointly to benefit from itemizing deductions.

**Start Planning for Next year**

Lastly, tax time is a great time to start planning for 2020 and beyond. Consider adjustments to your withholding, estimated payments, etc. to make sure you are in good shape for tax day 2021.

As always, please do not hesitate to contact us with any questions or concerns. We appreciate the confidence you have placed in our team at MAI to help you navigate through your unique situation.