

# Income Tax Planning: 2020 Tax Reporting, Charitable Planning, and Capital Gains



By [Kelwin Conroy](#), *Director* and [Ashley Shepard](#), *Manager*

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## Income Tax Planning Considerations

As we enter the 2020 tax filing season, it is important to consider how recent and anticipated tax changes may impact or influence your planning. The numerous economic stimulus and relief initiatives will most certainly require substantial revenue to support, and the most likely source of funding is rolling back parts of the 2017 Tax Cuts and Jobs Act (TCJA) and raising new tax revenues. While premature to predict the timing and scope of future tax legislation, potentially adverse changes seem all but inevitable. While your Pathstone advisory team continues to monitor and advise on the fluid tax environment, consider the following 2020 tax reporting and potential 2021 tax planning opportunities.

## 2020 Tax Reporting

- The federal individual income tax filing deadline has been [extended to May 17th](#) (extendable to October 15th). Any anticipated tax liability must be remitted by May 17th to avoid potential interest and penalties. The federal tax filing deadline postponement only applies to 2020 individual federal income returns and tax (including tax on self-employment income) payments otherwise due April 15, 2021, not state tax payments or deposits or payments of any other type of federal tax. For example, the extended due date doesn't apply to 2021 first quarter estimated tax payments. These payments are still due on April 15th.

Taxpayers also will need to file income tax returns, or extensions, in 42 states plus the District of Columbia. State filing and payment deadlines vary and are not always the same as the federal filing deadline. The IRS urges taxpayers to check with their [state tax agencies for those details](#).

Note: As of the time of this publication, residents of Texas, Oklahoma, and Louisiana have separately been granted a disaster related federal filing extensions until June 15th (due to the hardships of the recent winter storms). This extension continues to apply in those jurisdictions.

- No tax is due on any Economic Stimulus Payment (“ESP”) received. If you were eligible to receive an ESP but did not, you can claim a Recovery Rebate Credit on your 2020 return.
- No tax is due on forgiven Paycheck Protection Program (“PPP”) loans. Additionally, any business expenses funded with PPP loan proceeds are also fully deductible. If you utilized PPP loans, we encourage you to work closely with your tax professional as the regulations and potential substantiation requirements can be complex.

## Charitable Planning

- To encourage gifting during the pandemic, individual taxpayers who claim the **standard deduction** may claim a charitable income tax deduction for **cash gifts** to public charities.
  - For 2020 up to \$300 per return (regardless of filing status)
  - For 2021 up to \$300 for single filers and \$600 for joint filers
- For 2020 and 2021, individual taxpayers who **itemize deductions** may claim a charitable income tax deduction for **cash gifts** to public charities, of up to 100% of adjusted gross income (usually limited to 60%).

## Capital Gains

- The current tax law provides preferential rates for long-term capital gains ranging from 0%-20% depending on adjusted gross income.
- Capital gains are also subject to a 3.8% net investment income surtax where adjusted gross income exceeds \$250,000.
- President Biden has outlined a proposal repealing preferential rates on long-term capital gains for individuals earning >\$1mil. While few details exist, such a change could potentially subject future capital gains on high earners to ordinary income tax rates in excess of 40%.
- While no specific timeline for the change in tax rates has been conveyed, you might consider completing large planned capital gain transactions such as the sale of a business, home, or low basis stock in 2021.

## About the Author

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**Kelwin Conroy, *Director***

Kelwin Conroy is a Director and Partner of the firm. She brings fifteen years of investor relations and marketing experience at several global financial services institutions, including UBS and Wellington Management Company, where she gained a broad understanding of diverse product areas ranging from public equities to venture capital. She directly advises both high net worth individuals and investment committees of several private foundations on a variety of investment-related issues ranging from asset allocation to individual manager selection to account rebalancing. Kelwin also works closely with clients' other advisors including attorneys and accountants to provide comprehensive financial planning advice to address cash flow, insurance, tax, retirement and estate planning issues.



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As a Manager in the firm's Atlanta office, Ashley's main focus is on tax compliance, working with clients on tax-related planning, and various family office services. She has experience with high net worth individuals and their family offices, partnerships, S-Corporations, foundations, and gift and estate taxes.

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