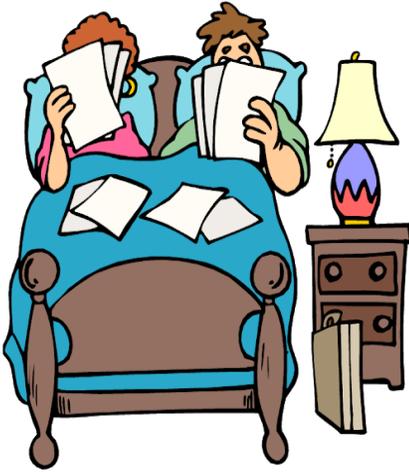


Fall 2020 Newsletter



DON'T LOSE SLEEP OVER YOUR TAXES!

Gwizdala & Associates accounting professionals can help lower your tax bill by maximizing your tax benefits & deductions.

There are things that can be done to reduce income taxes. The types of debt you owe, how you are saving for college or retirement, what tax-deductible expenses you have incurred, which investments you own...all affect your tax situation. We can review and analyze strategies you may not have considered.

Reach out to us when making important financial decisions. We can advise you of any potential tax consequences. Planning now can prevent regret later.

Fall is a good time to look at your tax situation again. Income and expenses for the year will be fairly clear. And there is still time to apply smart tax strategy before year-end.

“Day in and day out, your tax accountant can make or lose you more money than any single person in your life, with the possible exception of your kids.” — Harvey Mackay (businessman, author, and columnist)

GWIZDALA & ASSOCIATES

Everything we do is backed by decades of impeccable professionalism, integrity and a strong sense of personal responsibility for our clients' financial well-being and peace of mind. Protecting your interests is our highest priority, and the only way we know how to do business.

www.tenforty.com

4519 Allendale Drive
White Bear MN 55127

651-772-2202
frontdesk@tenforty.com

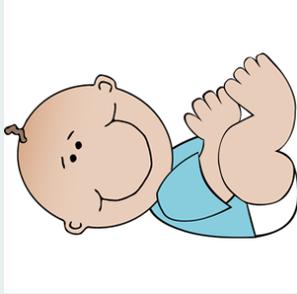
SELLING YOUR HOME?

The government views nearly any sort of profit you acquire as part of your income, including what you make from the sale of a home. You are exempt from taxes only if your profit doesn't exceed \$250,000 (\$500,000 if you are married filing jointly) and you have owned the home for at least two years, using it as your primary residence for two of the past five years.

If you are purchasing a second home, whether for vacation or rental income, the tax planning is a little more involved. If you rent the home for more than 14 days of the year, the income must be reported on your tax return. However, rental expenses are deductible providing you claim no more than the amount of your rental income. If the home is purely for your personal use, you can deduct mortgage interest and property taxes just as you would with your primary residence.



Taxes—ages and stages



BIRTH



SCHOOL AGE



MARRIAGE



RETIREMENT

GROW YOUR PORTFOLIO & CONTROL TAXES

- Contribute to an IRA (individual retirement account). In 2020, you can contribute \$6,000 (\$7,000 if over age 50). In a traditional IRA, your contribution is deductible and earnings grow tax-deferred.
- If your employer offers a 401(K), your contributions are made pre-tax, so you don't pay income taxes. Earnings grow tax-deferred until withdrawn. In 2020, you can contribute \$19,500. Many employers also match your contribution.
- If you are saving for college, consider getting a 529 or an education savings account (ESA). With a 529 plan, you can contribute up to \$75,000 in one year and count it as your annual \$15,000 tax-free gift for five years. Distributions from 529 plans to pay higher education expenses are excluded from income. For an ESA, you can contribute \$2,000 annually. Although not deductible, the earnings grow tax free as long as funds are used for education expenses.
- Owning a home offers tax advantages such as mortgage interest and property taxes which can be deducted on your tax return. Building equity over time increases your profit upon the sale of your home, \$250,000 of which is tax-exempt (\$500,000 if married filing jointly).

IRS TIDBITS

** There are some delays in processing tax returns and payments this year as many IRS employees were sent home as a result of COVID-19. Some of those employees are only now returning to work.

** There is a lot of valuable information on the IRS website. It is offered in several languages including 75 videos in ASL. The official website is: www.irs.gov

** The IRS is mailing out small checks (averaging \$18) to cover interest (calculated from April 15 to July 15) for individuals who received a refund and filed on time. If your bank information is on file, this amount will be direct deposited into your bank account.

** There is a new mobile app for the IRS. It is called IRS2Go and is available for Android and Apple. It allows you to check the status of your refund, make a payment, sign up for helpful tax tips, and more.

WHEN YOUR PARENT BECOMES A DEPENDENT

Has your parent become financially dependent on you?

If you are covering more than half of your elderly parent's living expenses and they don't have income beyond the annual exemption amount (this year it was \$13,850 for a senior single), you will be able to claim them as a dependent on your tax return. If they do exceed the income limits there are still things you can do to help them while avoiding paying a gift tax.

You can make annual \$15,000 gifts (to as many people as you want) without paying a gift tax. You could also pay their unreimbursed medical bills directly, which will be tax-deductible on their tax return.