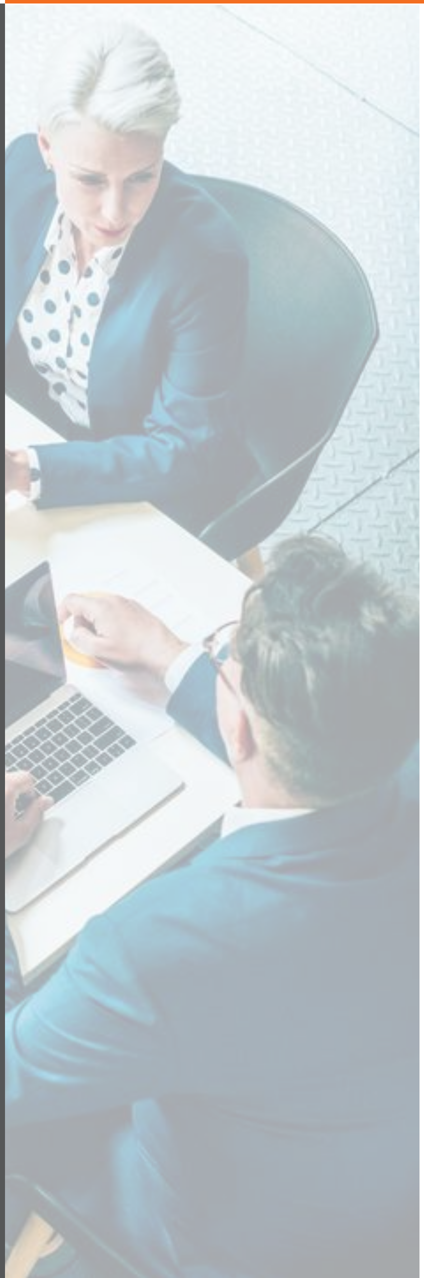
MOSKOWITZ LLP
a tax law firm

Year End Tax Planning

2021 Tax Saving Ideas for Individuals and Businesses



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Planning vs. Preparation

There’s a distinction between reactive, past-looking preparation and forward-looking, proactive planning.

Planning vs. Preparation

Tax Planning

The process of looking at a person's life, business, and regulatory requirements to legally reduce taxes.

Before Year End

Tax Preparation

The process of reviewing the year's financial results and preparing tax returns for submission to the IRS.

After Year End

12/31/2021

Stages of Tax Planning

While planning is the first step, that plan needs to be implemented in a legal manner, maintained, and reflected in the tax return.

PLANNING

This is the most important part of our engagement.

We perform a review of your tax positioning and make recommendations for how much you can save with with proactive strategies.

Some savings may be from prior years, but most will be in the current year and beyond.

IMPLEMENTATION

Once we complete the tax plan, we present you with anywhere from 1-25+ strategies depending on the circumstances.

Some of the strategies require minimal implementation, others may be complex and involve 3rd parties.

We are here to guide you every step of the way.

QUARTERLY

Keeping up with the compliance to ensure the savings are defendable and realized in the returns, is where tax planning gets finalized.

Working together on a quarterly basis, this includes implementing basic planning strategies and a review of financial results to make proper estimated payments.

PREPARATION

The preparation of returns is the last stage of the process.

At this point, we can actually calculate what your final tax payment will be and compare it to what you would have paid without doing proactive tax planning.

Preparation does not cover monthly accounting, clean up, or closing the books.

Tax Planning Strategies

We review hundreds of strategies and their combinations to optimize your savings.

Tax Planning Strategies

These are a few categories of Tax Planning strategy we will assess:

- Deductions
- Legal Entity Design
- Retirement
- Tax Cuts & Jobs Act (TCJA)
- Families First Coronavirus Response Act (FFCRA)
- Coronavirus Aid, Relief, and Economic Security (CARES)
- Insurance & Asset Protection
- Niche Specific Strategies
- Advanced Strategies
- International
- Asset & Gift Freeze
- Tax Advantaged Wealth Management
- Exit & Capital Gains

Tax Planning Strategies

Defer or Accelerate Income

Income is taxed in the year it is received.

Defer a year-end bonus into the next year.

Delay billings until late December.

Take capital gains in 2022 instead of 2021.

If additional income could push you into a higher tax bracket, accelerate income into 2021.

Bunch Deductions

Timing expenses to produce ‘lean’ and ‘fat’ years.

Bunch deductible expenses in ‘fat’ years.

Surpass the standard-deduction amount and claim a larger write-off.

Donate appreciated stock or property rather than cash.

Deduct the property’s market value on the date of the gift and you avoid paying capital gains taxes.

Max Out Retirement Account Contributions

You usually have until the filing deadline to make IRA contributions.

Deductible contributions also reduces your taxable income.

Some plans must be established by December 31, but contributions may still be made until the tax filing deadline.

Check IRA Distributions

Regular minimum distributions from your traditional IRA are required by April 1st following the year in which you reach age 72.

($70^{1/2}$ if you reached $70^{1/2}$ prior to January 1, 2020)

Check IRA Distributions

Failing to take out enough triggers one of the most draconian of all IRS penalties:

A **50% excise tax** on the amount you should have withdrawn based on your age, your life expectancy, and the amount in the account at the beginning of the year.

After that, annual withdrawals must be made by December 31 to avoid the penalty.

Roth IRA Conversion

Pay current income tax on your Roth IRA if:

- You'll be in the same or higher tax bracket when you withdraw.
- Won't need the converted funds for at least five years.
- Can pay the conversion tax in cash.
- Want to leave a tax-free financial legacy to your heirs.

Reducing Roth IRA Conversion Taxes

1. Max out your bracket.
2. Spread it out.
3. Get ahead of tax charges.

Year End Tax Planning for Businesses

Tax provisions businesses should consider as we approach the end of 2021

Employee Retention Credit

Eligible employers can claim a credit equal to 70% of qualified wages up to a maximum of $10,000 in wages per employee, per quarter.

Maximum credit for any one employee could total $28,000 for calendar-year 2021.

Wages you are allowed to deduct on your 2021 income tax return is reduced by the amount of the 2021 credit.

Net Operating Losses

The CARES Act temporarily permitted NOLs incurred in 2018, 2019, or 2020 to be carried back for five years.

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Losses can be carried forward indefinitely, but can only be used to offset 80 percent of taxable income.

Research & Development Costs

After 2021, research and development costs must be capitalized and amortized.

- Research and development costs incurred in the U.S. will have an amortization period of five years.
- Currently businesses can either deduct these costs or choose to capitalize and amortize these costs.
- Budget Reconciliation Bill would delay the effective date of the R&D capitalization and amortization requirement to 2026.

Contact the legal team at Moskowitz LLP for a free consultation today.

MOSKOWITZ LLP
a tax law firm

1700 Broadway | 4th Floor | Oakland, CA 94612
ph: (Toll Free) 888.829.332 fax: 415.398.6501 web: moskowitzllp.com

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