2020 Year-end tax planning at a glance

A quick look at some key actions you might take—and their deadlines

Action	Deadline	Commentary
INCOME TAX		
Harvest tax losses	"Double up" by November 30, and sell "doubled up" securities by December 31	Be sure to avoid violating the wash sale rule, and consult your tax advisors about this and all tax planning strategies.
RETIREMENT		
Required minimum distributions (RMDs)	Optional	RMDs have been waived for 2020 due to the CARES Act.
Qualified Charitable Distribution (QCD)	Optional	Although RMDs are waived this year, if you are older than 70½ years, you still may want to consider the benefits of a QCD: It allows you to make a tax-free gift of your required minimum distributions (RMDs)—up to $100,000—every year. The funds go directly from your IRA to a qualifying charity. That gifted amount then would be excluded from your total income (for tax purposes).
Contribute to retirement accounts	IRAs: April 15, 2021 401(k) account: Depends	It is wise to contribute to your retirement accounts up to the full amount you can. Check with your plan administrator, as the deadline for 401(k) contributions depends on your plan and can be as early as December 31.
Convert traditional IRA to Roth IRA	By December 31, and after January 1	Work with your tax advisors to evaluate whether converting some or all of your IRA assets to a Roth IRA makes sense for you.
Review IRA beneficiary designations	Ongoing	Most inherited IRAs now have to be distributed by the end of year 10 due to the SECURE Act passed last December. The entire distribution may be made in year 10; no serial periodic payment required. Keep in mind that naming a trust as beneficiary does not convey the same asset protection features than it previously did.

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WEALTH TRANSFER		
Use your annual gift tax exclusion	December 31	Individuals may give up to $15K ($30K for married couples) per recipient every year.
Use your lifetime gift tax exclusion	December 31, and again after January 1	You can give, tax-free, up to the full lifetime exclusion amount in effect this year. Then, next year, you can give more after the U.S. lifetime gift and estate tax exclusion amount has been adjusted annually for inflation.
Contribute to a child's 529 account	December 31	You can give five years' worth of your annual gift tax exclusion amount into one recipient's account. That means, instead of giving just $15K into one 529 account this year, you could put a total of $75K into that account, giving the funds more time to grow tax-free. But be advised that doing so would mean you could not make annual exclusion gifts to that person for the next four years. Consult your tax advisor and J.P. Morgan team to determine whether this strategy suits your goals.
PHILANTHROPY		
Charitable gifts	December 31	Make year-end donations that both maximize your tax benefit and are consistent with your philanthropic goals. Be careful: Allow for enough time for the transfer to be effective in 2020.
Private foundations	December 31	Every year, private foundations, must pay out 5% of their assets. However, they generally have the current year and the next to make distributions that satisfy the current year's 5% payout requirement. Your foundation's managers should be very clear about how much of the distributions made this year will satisfy 2019 obligations and how much meet 2020 requirements.
EXECUTIVES		
Incentive stock options	By December 31, and after January 1	Speak with your tax advisor to understand how many Incentive Stock Options (if any) you can exercise without paying the alternative minimum tax this year. Consult your J.P. Morgan team to identify which tranches you may want to exercise immediately after January 1, so that you may hold the shares for a full year before taxes are due on them the following April.
Nonqualified Stock Options (NQSOs)	December 31	Evaluate your NQSOs and consider exercising tranches this year if you expect future tax rates will be higher and the stock will appreciate.
Deferred compensation	December 31—or earlier, depending on your company's policy	Be sure to check your employer's specific policy regarding deferred compensation, as many employers set an earlier deadline for making the election.
BUSINESS OWNERS & THE SELF-EMPLOYED		
For those who are self-employed or the owner of a closely held business	December 31. To be effective for 2020, qualified plans must be established by year-end.	A qualified plan may provide you (and perhaps your employees) with retirement benefits and tax-deferral opportunities. Note, though, while your plan must be established by year-end to be effective for this year, they do not need to be funded until the due date for your tax filings (plus extensions).
For principals of a closely held operating business	December 31. The CARES Act temporarily lifted limitations though year-end on Net Operating Losses.	Check with your tax advisor to make certain you have considered any possible operating loss carryback provisions, which could result in tax refund claims on prior-year tax returns.

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