

As someone who is working, what issues should I consider when reviewing my 2020 tax return?



Family and Filing Issues

- **Did you take the standard deduction of \$12,400 (single) or \$24,800 (MFJ) listed on Form 1040, Line 9?**
- **Are you recently divorced or has your spouse passed away recently?** If so, review your filing status (located at the top of Form 1040).
- **Do you have dependents (first page of Form 1040)?** If so, consider the following:
 - If you have children under age 17, your MAGI is below \$200,000 (single) or \$400,000 (MFJ), you may be able to claim the Child Tax Credit on Form 1040, Line 13.
 - If you paid expenses for the care of a qualifying individual (e.g., a dependent child under age 13) to enable you (and your spouse, if MFJ) to work or actively pursue work, you may qualify for the Child and Dependent Care Credit on Form 1040, Line 13 and Schedule 3, Line 2.
- **Are you (or your dependent children) in college?** If so, consider the following:
 - If MAGI is below \$69,000 (single) or \$138,000 (MFJ), check Schedule 3, Line 3 to see if the Lifetime Learning Credit has been claimed. Credit is calculated on Form 8863.
 - If MAGI is below \$90,000 (single) or \$180,000 (MFJ), check Form 1040, Lines 18c to find if the refundable portion of American Opportunity Tax Credit has been claimed. Credit is calculated on Form 8863.
- **Review your balance due or refund and adjust payments/withholdings accordingly.** For most taxpayers, you must pay at least 90% of the tax due in the current year, or 100% of the tax due in the prior year, whichever is smaller.

Investment Income Issues

- **Is any interest being reported (Form 1040, Line 2a and 2b) or are dividends being reported (Form 1040, Line 3a and 3b)?** If so, reference Schedule B to understand which accounts are generating the interest and whether the dividends are ordinary or qualified. Make sure to check your online accounts for 1099s that may be electronic only.
- **Is your earned income (e.g. wages or earnings from self-employment) above \$200,000 (single) or \$250,000 (MFJ)?** If so, you may be subject to the Additional Medicare Tax of 0.9% (calculated on Form 8959).
- **Is your MAGI above \$200,000 (single) or \$250,000 (MFJ), and you have significant Net Investment Income (calculated on Form 8960)?** If so, you may be subject to the Net Investment Income Tax

of 3.8%. If your MAGI is close to the thresholds, consider reduction strategies to avoid this surtax.

- **Were there any capital gains (or losses) reported (Form 1040, Line 6)?** If so, see Schedule D, Line 13, for Capital Gain Distributions. See Schedule D, Line 6 and Line 14, for short-term and long-term loss carryovers, ensuring that they have been carried over from previous tax returns.

Qualified Plan Issues

- **Are you making contributions to a traditional IRA (Schedule 1, Line 19)?** If so, the maximum IRA contribution in 2020 IRA contribution limits are \$6,000 (\$7,000 if you are age 50 or over).
- **Are you making contributions to a Roth IRA?** If so, contributions are not reported on Form 1040, unless you are taking advantage of the Retirement Savings Contribution Credit. The maximum Roth IRA contribution in 2020 is \$6,000 (\$7,000 if you are age 50 or over). Make sure to track your contributions on Form 8606.
- **Are you making contributions to an HSA (reported on Form 8889 Lines 2 or 9)?** If so, consider the following:
 - The maximum HSA contribution in 2020 is \$3,550 for a single plan and \$7,100 for a family.
 - If you contribute to your HSA through payroll, it will be reflected in lower wages reported on Form 1040, Line 1, and your W-2, along with your pay stubs.
- **Did you convert amounts from a traditional IRA to a Roth IRA?** If so, check Form 8606 to ensure that the amount converted is reported and any non-deductible IRA contributions which were converted are treated as non-taxable.

Income & Other Issues

- **Are you a W-2 employee?** If so, consider reviewing your W-2 to look for the following:
 - HSA & FSA contributions from both yourself and your employer.
 - Retirement plan contributions and employer matching.
- **Do you have stock options & equity compensation (NQs, ISOs, RSUs)?** If so, consider the following:
 - Review your W-2 and Schedule D to understand your tax on exercising and on eventual sale (if applicable).
- **Are there state-specific issues that should be considered?** Some states offer tax credits and/or deductions for 529 plan contributions. Review your state's rules to see if you qualify.