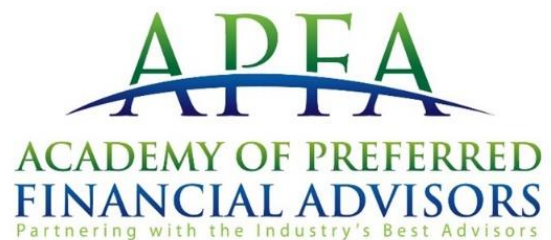
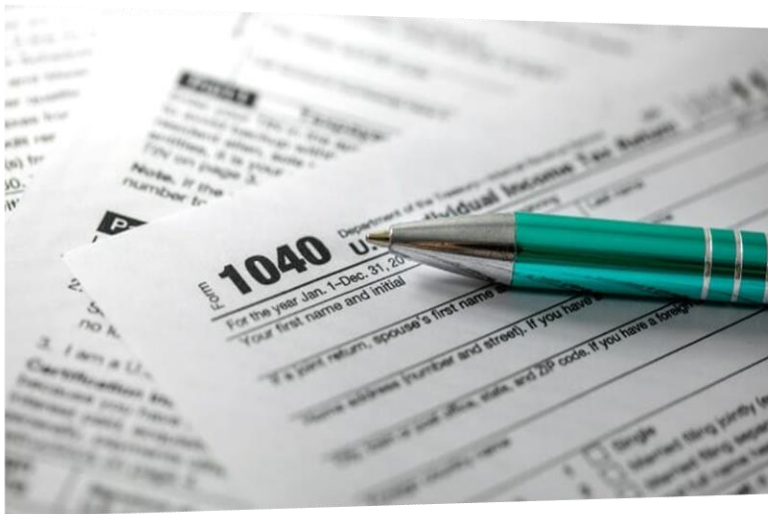


The Exclusive Coaching Program

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1040 Tax Form Review A Reference Guide for **ADDING VALUE** as a “Tax Reduction Specialist”



How to Become a Tax Reduction Specialist

Taxes, taxes, taxes. Most advisors that we work with have clients and prospects that have a love/hate relationship with taxes. They **love to reduce their taxes** and they **hate paying their taxes**. As an advisor who offers comprehensive financial advice, a key component of your Financial Check-up is to review your client's tax returns and provide tax reduction strategies.

We are not suggesting you act as a tax preparer. Instead, we are suggesting you become a **"Tax Reduction Specialist."** One phrase we love sharing with clients and prospects is:

"We don't care who prepares your taxes, we just want to reduce your taxes!"

Our goal is to take a proactive approach to reducing taxes. We all know the advantages of **proactive** versus **reactive**. This is why we often use this phrase as well with clients and prospects:

"What can we do today to reduce your taxes tomorrow?"

In order to actually implement that line and for us to share *"not just what to do, but how to do it™,"* you will need to learn how to read and use a tax return.

Why should you do this?

Amongst the many reasons are:

- It illustrates your knowledge and experience.
- It **ADDS VALUE** and therefore helps justify your fee.
- It differentiates you from most of your competition - and also makes you a much more valuable resource to the client; in fact, most financial advisors do not even look at a client's tax return.
- It shows the client that you truly care about their financial issues and that you are giving specific advice rather than generic advice.
- It helps you bring up things that other financial advisors have not. This is one of the easiest and most obvious things that distances you and sets you apart from your competition.
- It helps you in assisting qualified clients and prospects achieve their most common goal, which is typically to minimize their tax bill.
- It gives you insight to your client's past, present and future financial behavior and the degree of concern that they have in reducing taxes.
- It gives you a better understanding of your client's or prospect's investing and/or buying decisions.
- It helps you discover additional investments that you may not already be aware of.
- **IT IS ESSENTIAL, IF YOU WANT TO DO WHAT IS IN YOUR CLIENT'S BEST INTEREST.**

We are not suggesting you prepare tax returns, but rather review them.

In order to fully recommend tax strategies that are best for your clients, you need to have the facts. *If you do not gather this essential data by reviewing a client's or prospect's tax return, you can't make educated recommendations for clients or prospects.*

How do you do this?

First and foremost, we suggest you think like a doctor when you look at the tax returns, such as:

- Look for symptoms;
- Look for things that are not within a "reasonable range";
- Identify items that warrant further investigation; and
- Bring in a tax specialist when necessary to assist you in correctly assessing a specific course of action.

Does the client's or prospect's information on their tax return make sense?

At this point, you need to think like an IRS auditor. Take a look at things from the perspective of trying to avoid any IRS radars. You want to make sure that you do not cause your client any problems and that you are accurate in all your information.

Anyone who is not well versed in taxes should consider taking a tax course, even if it is online. For purposes of this module, let's examine some information that can help you now!

Let's now examine the tax return itself. First you need to determine if the information shows something that appears to be inconsistent, unusual, or may not be accurate. Important issues to consider are:

- Most numbers on a tax return that end with multiple zeros are only estimates.
- Does their income match the neighborhood or lifestyle in which they live?
- If you are comparing the prospect's most recent tax returns to their tax returns in prior years, are there any major differences, changes, or patterns? Significant changes year-by-year is a major indicator of lack of proper and adequate income tax reduction strategies. This is the same strategy typically used by most auditors to determine how consistent someone is.
- Ask this tax question, *"Don't you think it would be wise to know what the tax consequence would be on any financial transactions before the transaction takes place?"* At this point you can determine whether or not they have the proper basic information for their investments to even consider the tax impact.
- *"How often does your financial advisor look at your tax return?"* If the answer is never, then ask: *"If your advisor doesn't look at your tax return, how does your advisor know the tax consequences of any recommended transactions?"*

How Do Federal Income Taxes Work?

The federal individual income tax has seven tax rates that rise with income. Each rate applies only to income in a specific range (tax bracket).

CURRENT INCOME TAX RATES AND BRACKETS

The federal individual income tax has seven tax rates ranging from 10 percent to 37 percent (see table). The rates apply to *taxable income*—adjusted gross income minus either the standard deduction or allowable itemized deductions. Income up to the standard deduction (or itemized deductions) is thus taxed at a zero rate.

2019 Tax Rate Schedules

Single—Schedule X				Head of household—Schedule Z			
If taxable income is: Over—	But not over—	The tax is:	of the amount over—	If taxable income is: Over—	But not over—	The tax is:	of the amount over—
\$ 0	\$ 9,700	.....10%	\$ 0	\$ 0	\$ 13,850	.....10%	\$ 0
9,700	39,475	\$ 970.00 + 12%	9,700	13,850	52,850	\$ 1,385.00 + 12%	13,850
39,475	84,200	4,543.00 + 22%	39,475	52,850	84,200	6,065.00 + 22%	52,850
84,200	160,725	14,382.50 + 24%	84,200	84,200	160,700	12,962.00 + 24%	84,200
160,725	204,100	32,748.50 + 32%	160,725	160,700	204,100	31,322.00 + 32%	160,700
204,100	510,300	46,628.50 + 35%	204,100	204,100	510,300	45,210.00 + 35%	204,100
510,300	.....	153,798.50 + 37%	510,300	510,300	.....	152,380.00 + 37%	510,300
Married filing jointly or Qualifying widow(er)—Schedule Y-1				Married filing separately—Schedule Y-2			
If taxable income is: Over—	But not over—	The tax is:	of the amount over—	If taxable income is: Over—	But not over—	The tax is:	of the amount over—
\$ 0	\$ 19,400	.....10%	\$ 0	\$ 0	\$ 9,700	.....10%	\$ 0
19,400	78,950	\$ 1,940.00 + 12%	19,400	9,700	39,475	\$ 970.00 + 12%	9,700
78,950	168,400	9,086.00 + 22%	78,950	39,475	84,200	4,543.00 + 22%	39,475
168,400	321,450	28,765.00 + 24%	168,400	84,200	160,725	14,382.50 + 24%	84,200
321,450	408,200	65,497.00 + 32%	321,450	160,725	204,100	32,748.50 + 32%	160,725
408,200	612,350	93,257.00 + 35%	408,200	204,100	306,175	46,628.50 + 35%	204,100
612,350	.....	164,709.50 + 37%	612,350	306,175	.....	82,354.75 + 37%	306,175

Federal income tax rates are progressive: As taxable income increases, it is taxed at higher rates. Different tax rates are levied on income in different ranges (or brackets) depending on the taxpayer's filing status. In 2019, the top tax rate (37 percent) applies to taxable income over \$510,300 for single filers and over \$612,350 for married couples filing jointly. Additional tax schedules and rates apply to taxpayers who file as heads of household and to married individuals filing separate returns. A separate schedule of tax rates applies to capital gains and dividends. Tax brackets are adjusted annually for inflation.

BASICS OF PROGRESSIVE INCOME TAX RATES

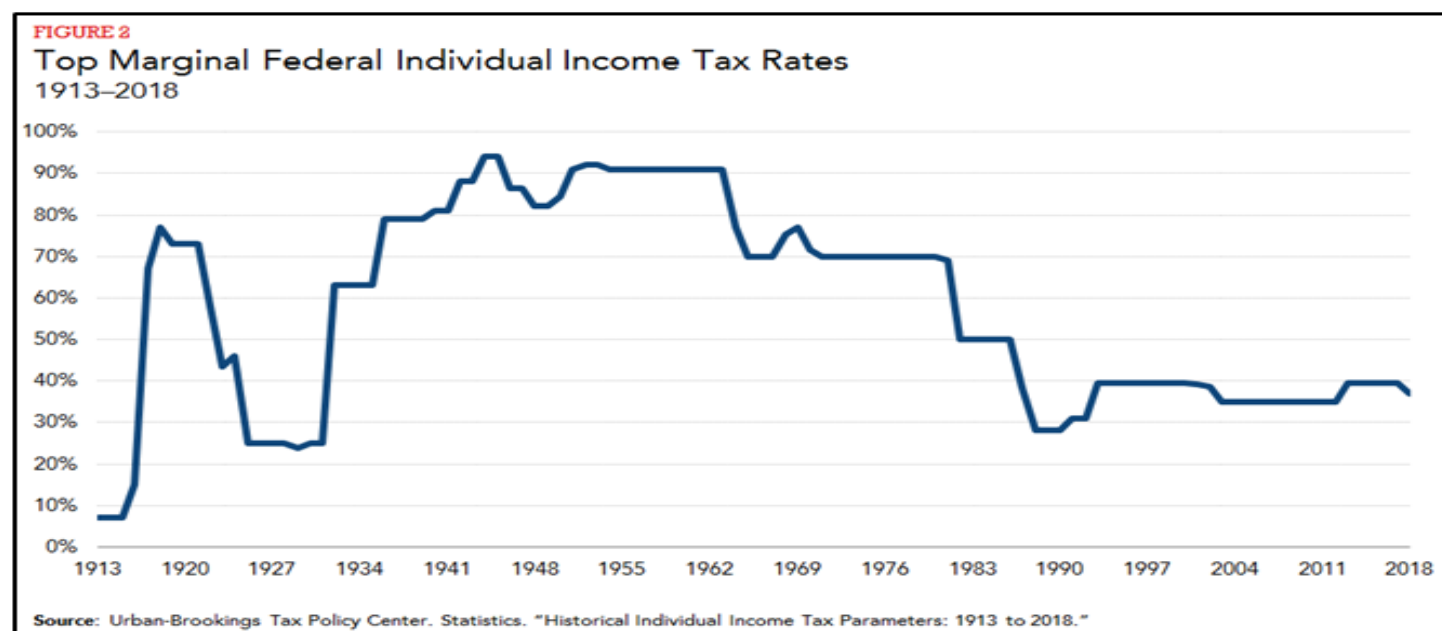
Each tax rate applies only to income in a specific tax bracket. Thus, if a taxpayer earns enough to reach a new bracket with a higher tax rate, his or her total income is not taxed at that rate, just the income in that bracket. Even a taxpayer in the top bracket has some portion of income taxed at the lower rates in the tax schedule. For example, a single filer with \$50,000 in taxable income falls into the 22 percent bracket but does not pay tax of \$11,000 (22

percent of \$50,000). Instead, he or she pays 10 percent of \$9,700, then 12 percent till \$39,475 plus 22 percent of the last \$11,525 for a total of \$7,078.50.

All tax brackets for married taxpayers are twice the size of those for singles, except for the penultimate bracket. This can cause a “marriage penalty” for some taxpayers in the highest tax bracket, as some couples pay more tax filing a joint return than they would if each spouse could file as a single person. Conversely, because most tax brackets for married couples are twice the size of those for singles, many married couples enjoy a “marriage bonus,” paying less in tax by filing jointly than they would if each partner filed as a single person.

HISTORY OF FEDERAL INCOME TAX BRACKETS AND RATES

Over the 100-plus year history of the modern federal income tax (short-lived income taxes existed before Congress ratified the 16th Amendment in 1913), the number of brackets and rates have changed dramatically and frequently. The federal income tax began with seven brackets but that number exploded to more than 50 by 1920 (figure 1). From then until the late 1970s, there were never fewer than 20 brackets. The last major federal tax reform, the Tax Reform Act of 1986, reduced the number of brackets from 16 to two, but that number has crept up to the current seven over the last three decades. The Tax Cuts and Jobs Act (TCJA) lowered the top rate to 37 percent starting in 2018. Due to certain budgetary constraints, the TCJA contains a “sunset,” or an expiration date, for many of its provisions including the new tax rates on January 1, 2026.



Capital Gains Taxes

In 2019 the capital gains tax rates were either 0%, 15% or 20% for most assets held for more than a year. Capital gains tax rates on most assets held for less than a year correspond to ordinary income tax brackets (10%, 12%, 22%, 24%, 32%, 35% or 37%).

Capital gains are the profits from the sale of an asset — shares of stock, a piece of land, a business — and generally are considered taxable income. A lot depends on how long you held the asset before selling.

Short-term capital gains tax is a tax on profits from the sale of an asset held for one year or less. Short-term capital gains tax rates equal your ordinary income tax rate — your tax bracket.

Long-term capital gains tax is a tax on profits from the sale of an asset held for more than a year. Long-term capital gains tax rates are 0%, 15% or 20% depending on your taxable income and filing status. They are generally lower than short-term capital gains tax rates.

2019 Long-Term Capital Gains and Qualified Dividends Tax

Long-Term Capital Gains Rate	Married Filing Joint	Single
0%	\$0 – \$78,750	\$0 – \$39,375
15%*	\$78,751 – \$488,850	\$39,376 – \$434,550
20%**	Over \$488,850	Over \$434,550

*Those in the 15% LTCG tax bracket with MAGI over their 3.8% threshold (\$250,000 joint filers/\$200,000 single filers) will pay an effective rate of 18.8%.

**The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income.

Some easy **VALUE ADDED** things to look for on a tax return include:

✓ Marginal tax bracket.

This is an easy thing to identify. Take a look at the taxable income on Form 1040, page 1 - Line 11b, in order to determine their marginal Federal tax bracket. Incorporate this into after-tax savings any time you make a tax reduction recommendation or any investment recommendations. If the client has a negative taxable income (which happens in rare instances - but we do see them especially for retirees, small business owners and investors of rental property), this usually indicates poor or no income tax planning. It is an opportunity to bring in more taxable income without paying any taxes (like through the use of a partial Roth IRA conversion).

✓ Look at taxable interest Line 2b of 1040.

Their taxable interest is on line 2b This is separate from line 2a – tax exempt interest. Calculate their after-tax ROI, which is their interest rate earned on their investments less their marginal tax bracket. Remind them "It's not what you earn, it's what you keep!" At that point you can let them know that ALL of this income is subject to taxes! If appropriate you might suggest that "Something we **MIGHT EXPLORE** would be possible other strategies, with tax advantages" (this can include municipal bonds, deferred annuities, qualified dividend stocks, growth-oriented investments or other types of investments that do not generate immediate taxable income). If the majority of this comes from bank accounts, the next thing is to divide the taxable interest by 1% or ½%, (which is about the average interest rate many savers earn in their bank accounts). They probably have more than this amount in CDs, money markets and bank accounts. Compare this number to the amount they gave you. **Remember:** Any interest that they earned on a taxable bond could be greater than the 1 or ½% and therefore we must take this into consideration when making this estimate.

✓ Tax-exempt interest, line 2a on 1040.

This is generally generated from municipal bonds. This amount is not included on line 2b. Divide this tax-free interest by 1 or 2% and this can offer a reasonable guesstimate amount they might have in municipals. Compare this to the amount they gave you. These investments usually make sense only if the client is in a 32% or higher marginal tax bracket. Discuss with the client their tax sensitivity and what motivated them to invest in these tax-free investments.

✓ Ordinary Dividends, Line 3b on 1040.

Ordinary dividends, line 3b, include both qualified dividends – the amount shown on line 3a (these qualify for special tax treatment) and non-qualified dividends, which is the difference between ordinary dividends and qualified dividends. Non-qualified dividends receive no special tax treatment and are subject to ordinary income taxes. Qualified dividends are typically generated from stocks and non-qualified dividends are usually generated from money market or bond fund accounts. Divide the non-qualified dividends by 1 or ½% and this is the reasonable guesstimate amount they should have in money market accounts. Compare this number to what they gave you. At this point, determine the amount they should have liquid and whether it is sufficient. We find that many clients, especially older ones, have far more liquidity than they need.

✓ Qualified dividends, Line 3a of 1040.

These dividends are generated from stocks and receive special tax treatment. They are income tax-free if your marginal tax bracket is 12% or less, and still only taxed at a 15% or 20% at higher tax rates (see chart on earlier page). They also can be taxed at 3.8% higher, if you are subject to the Medicare tax.

Discuss with the prospect/client that one of the strategies is to pay attention to always keeping when achievable the tax rate on dividends as low as possible. The major issue here is to illustrate that you are taking a proactive approach to help reduce their taxes and providing advice that most other advisors don't even consider.

✓ Look at Schedule B – interest, line 4 and ordinary dividends, line 6.

Look at Schedule B for multiple numbers of institutions listed. Then compare this information to your notes and a copy of your client's or prospect's other brokerage statements to gather some valuable data to help you in your financial review:

- This will assist with determining what their total assets are and where they are holding these assets
- To identify if they have the cost basis and unrealized gains and losses
- You can confirm if the statements are titled properly

You may at this point want to ask them if they are interested in reducing paperwork and discuss the value of consolidating accounts. You also may want to talk about the following: **"Imagine if you had one 1099 rather than _____ and ask yourself, 'wouldn't it be easier? Do any of your financial advisors provide comprehensive advice and look at your total portfolio? Do you think it would be a good idea to look at your entire financial picture rather than just part of it?"**

✓ Capital gains and losses, Schedule D.



Look at Schedule D and see if there is a lot of activity. If the client is making a lot of trades, they may want to consider doing these trades in an IRA or qualified retirement account. Also, look for their brokerage statements that back up these trades and provide you additional important information about their accounts, investment strategies, and cost basis.

Does line 16 (page 2) have a gain? Has anyone talked with them about “harvesting” which is matching up any recognized gains with losses. This saves tax dollars. The maximum taxable loss that can show on this line 16 is

\$3,000. If this number is **(-\$3,000)**, there probably is additional capital losses that can be carried over into the next tax year. These show up on Schedule D.

Next, look at line 15 on page 1 of Schedule D, which is net long-term capital gains and losses and also look at the amount on line 7, which is net short-term capital gains and losses. The tax on short term capital gains is usually taxed at ordinary income tax rates (up to 37%) which is significantly higher than the tax on long term capital gains, which can be as low as 0% and a maximum tax rate of 20%! One of the best strategies is to wait one year before selling any appreciated property in order to pay a lower tax. At this point you can discuss those advantages with prospects and clients.

Also, you should review all brokerage accounts, to discuss or compute unrealized capital gains and losses, and consider various tax strategies. At this point you can find many clients are taking much higher investment risks than they informed you of. This can help you start discussing your value, which could also include reducing their risk.

You can review tax reduction strategies, but if you are unsure, you should work with a qualified tax professional to discuss the specifics.

For lower tax bracket clients, one major tax reduction strategies regarding capital gains is to sell enough investments that have unrealized capital gains that will generate additional long-term capital gains up to the top of the client's 12% tax bracket. For example, if the taxpayer is married and filing a joint return, they can have a taxable income of \$78,950 and still be only in the 12% tax bracket in 2019. For example, if your married filing jointly client has a projected taxable income of \$40,000, and they generate an additional \$35,000 of taxable income, they still remain in the 12% tax bracket. In this case, if you sell any investments that will generate a long-term capital gain, they stay at a 0% capital gain tax and this now is Federal income tax free!

The next step is to look at their cost basis information that shows on Schedule D, page 1, column (e) and their realized capital gains and losses, which is on column (h). These are the actual sales that took place last year and the profits or losses are considered "realized" capital gains and losses. Unfortunately, in many cases investors real cost basis sometimes can be calculated incorrectly (because of untracked dividend reinvestments).

Errors occur frequently when calculating the cost basis on both investments that have been sold and those investments still in their brokerage accounts. Capital gains and losses on these investments that have not yet been sold are considered "unrealized." We suggest informing prospects that, "We don't want you to pay any more taxes than you legally have to!" Discuss how cost basis is calculated, including the step-up in basis rules for those who inherit investments. Also, briefly discuss the various mistakes that are very common when computing the cost basis including the community property tax laws. If you can, offer to recheck the basis listed on their tax returns and confirm that the capital gains and losses are correct, **ONLY if they become a client!** In many cases, the net capital gains or losses shown on the tax return are off by a significant margin and then you can recommend they check with their tax preparer about amending their tax return (you can go back for 3 years if you find that they can get a sizeable tax refund). You might also offer to recheck and recalculate their cost basis and unrealized capital gains and losses on the investments that they still own. Sometimes, this simple, basic 5-10-minute conversation has a major impact on the prospect and is often the most influential factor of why the prospect will become a client and transfer their accounts over to you from another financial advisory firm in only a short period of time.

Perception is reality and tax savings strategies have probably the biggest VALUE ADDED impact for most investors!

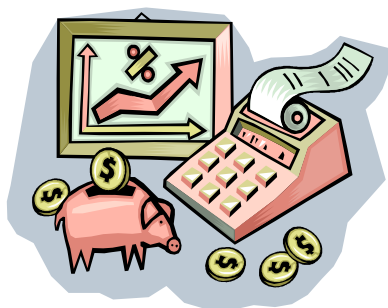
✓ IRA, Pension and Annuity Distributions on lines 4a, 4b, 4c, 4d

Line 4a and 4c, on form 1040, show IRA, Pension and annuity distributions. Lines 4a and 4c show the gross amounts distributed from one or more of these vehicles, and Lines 4b and 4d are the taxable amounts, (which is zero if these distributions are rolled over into a new IRA or were used for a Qualified Charitable Distribution (QCD)).

This entry would show a tax-free 1035 exchange from an annuity at one insurance company that was transferred over to an annuity at a different insurance company. The gross distribution is the amount that got transferred out of the prior company and this is usually sent directly to the other insurance company and therefore there is no taxable event since the client did not actually receive any of the distributions – it went directly to the other insurance company without passing through to the client first.

✓ Finally, look at their total tax on Line 16 on the 1040.

Think to yourself - would you be happy?



Ask, *"Do you know how much you paid in taxes last year?"* Advisors often hear the response *"I never pay any taxes – I always get a refund!"*

You then can share two numbers that can put things in perspective, their **Overall Tax Rate and Marginal Tax Rate.**

First divide line 16 by line 11b. This will give you their Overall tax rate paid. For example, it could be 21% of their income went to Federal taxes. Then look at where line 11b lands on the income tax chart (on earlier page). This could be 32% for a single filer with \$165,000 on line 11b. This is their Marginal Tax Rate, or if you save them even \$1, how much of that they save in taxes. This can add up fast and, in many cases, pay for your services easily. If they are a prospect and they paid more than you thought they should have, then inform the prospect of this amount, and in most cases, they could be very shocked and can hardly believe it. You should consider saying the following to the prospect, ***"You are known in the industry as being very patriotic. Unfortunately, many people are not aware of all the different tax reduction strategies that they are eligible for because no one has been thorough with these possibilities. Always know your options, because one of your options is to do nothing."***

While this list of tax reduction ideas is only a partial one and should not be mistaken for comprehensive tax information and advice, we hope it gives you some guidelines, strategies, and understanding of some of the very basic tax reduction ideas that can help you do a good job and be a major factor in reducing your clients' taxes. Obviously, our tax reviews for clients are much more comprehensive and personalized than this workbook. This simple and basic review is merely an illustration of how we can help the client and our own education of these difficult topics.

We know that reviewing a tax return takes knowledge and time but it is an important and necessary service in order to provide comprehensive financial planning.

As we always say, our goal is to share with you ***not just what do to, but how to do it!***™

1040 Review Checklist

- ☒ 1040 Line 1: Wages, Salaries, Tips, (W-2's)
- ☒ 1040 Line 2b: Taxable Interest
- ☒ 1040 Line 2a: Tax-Exempt Interest
- ☒ 1040 Line 3b: Ordinary Dividends
- ☒ 1040 Line 3a: Qualified Dividends
- ☒ 1040 Line 4a/4c: IRA, Pension and Annuity Distributions
- ☒ 1040 Line 4b/4d: Taxable Amount (IRA, Pension and Annuity Distributions)
- ☒ 1040 Line 5a: Social Security
- ☒ 1040 Line 5b: Taxable Amount (Social Security)
- ☒ 1040 Line 6: Capital Gains or (losses)
- ☒ 1040 Line 9: Itemized Deductions (Schedule A) or Standard Deduction
- ☒ 1040 Line 10: Qualified Business Income Deduction
- ☒ 1040 Line 11b: Taxable Income
- ☒ 1040 Line 16: Total Tax
- ☒ 1040 Line 19: Taxes Paid
- ☒ 1040 Line 20: Amount Overpaid
- ☒ 1040 Line 23 Amount You Owe
- ☒ 1040 Line 24 Estimated Tax Penalty
- ☒ **Schedule B Lines 1,4 & 5,6: Taxable Interest & Dividend Income**
- ☒ **Schedule D Line 6: Short-Term Capital Loss Carryover**
- ☒ **Schedule D Line 7: Net Short-Term Capital Gain or Loss**
- ☒ **Schedule D Lines 8a-10: Long-Term Capital Gains or Loss**
- ☒ **Schedule D Line 13: Capital Gain Distributions**
- ☒ **Schedule D Line 14: Long-Term Capital Loss Carryover**
- ☒ **Schedule D Line 15: Net Capital Gain or Loss**
- ☒ **Schedule A Lines 1, 3 & 4: Itemized Deductions – Medical & Dental Expenses**
- ☒ **Schedule A Lines 5-7: Itemized Deductions – Taxes You Paid**
- ☒ **Schedule A Line 10: Itemized Deductions — Home Mortgage Interest**
- ☒ **Schedule A Lines 11-14 Itemized Deductions – Gifts to Charity**
- ☒ **Schedule A Line 17: Total Itemized Deductions**
- ☒ **Schedule 1: Other write-offs: Especially Business Owners and Educators**

TAX FORMS

Form 1040	Department of the Treasury—Internal Revenue Service (99) U.S. Individual Income Tax Return	2019	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
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Filing Status ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. **Presidential Election Campaign**
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name	Foreign province/state/county	Foreign postal code	If more than four dependents, see instructions and ✓ here ▶ <input type="checkbox"/>
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Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1955 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1955 ☐ Is blind

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

1 Wages, salaries, tips, etc. Attach Form(s) W-2 2a Tax-exempt interest 3a Qualified dividends 4a IRA distributions c Pensions and annuities 5a Social security benefits 6 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> 7a Other income from Schedule 1, line 9 b Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income 8a Adjustments to income from Schedule 1, line 22 b Subtract line 8a from line 7b. This is your adjusted gross income 9 Standard deduction or itemized deductions (from Schedule A) 10 Qualified business income deduction. Attach Form 8995 or Form 8995-A 11a Add lines 9 and 10 b Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-	1 2b Taxable interest. Attach Sch. B if required 3b Ordinary dividends. Attach Sch. B if required 4b Taxable amount 4d Taxable amount 5b Taxable amount 6 7a 7b 8a 8b 9 10 11a 11b
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Standard Deduction for—
 • Single or Married filing separately, \$12,200
 • Married filing jointly or Qualifying widow(er), \$24,400
 • Head of household, \$18,350
 • If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2019)

Form 1040 (2019)

Page **2**

12a Tax (see inst.) Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>		12a	
b Add Schedule 2, line 3, and line 12a and enter the total		12b	
13a Child tax credit or credit for other dependents		13a	
b Add Schedule 3, line 7, and line 13a and enter the total		13b	
14 Subtract line 13b from line 12b. If zero or less, enter -0-		14	
15 Other taxes, including self-employment tax, from Schedule 2, line 10		15	
16 Add lines 14 and 15. This is your total tax		16	
17 Federal income tax withheld from Forms W-2 and 1099		17	
18 Other payments and refundable credits:			
a Earned income credit (EIC)	18a		
b Additional child tax credit. Attach Schedule 8812	18b		
c American opportunity credit from Form 8863, line 8	18c		
d Schedule 3, line 14	18d		
e Add lines 18a through 18d. These are your total other payments and refundable credits		18e	
19 Add lines 17 and 18e. These are your total payments		19	
20 If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid		20	
21a Amount of line 20 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>		21a	
b Routing number <input type="text"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings d Account number <input type="text"/>			
22 Amount of line 20 you want applied to your 2020 estimated tax		22	
23 Amount you owe . Subtract line 19 from line 16. For details on how to pay, see instructions		23	
24 Estimated tax penalty (see instructions)		24	

• If you have a qualifying child, attach Sch. EIC.
• If you have nontaxable combat pay, see instructions.

Refund Direct deposit? See instructions.

Amount You Owe

Third Party Designee (Other than paid preparer) Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. ☐ Yes. Complete below. ☐ No

Designee's name Phone no. Personal identification number (PIN)

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Phone no. <input type="text"/>		Email address <input type="text"/>	

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed
Firm's name	Phone no.			
Firm's address	Firm's EIN			

Go to www.irs.gov/Form1040 for instructions and the latest information.Form **1040** (2019)

SCHEDULE A
(Form 1040 or 1040-SR)
(Rev. January 2020)
Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

Go to www.irs.gov/ScheduleA for instructions and the latest information.

Attach to Form 1040 or 1040-SR.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

OMB No. 1545-0074

2019

Attachment
Sequence No. **07**

Name(s) shown on Form 1040 or 1040-SR

Your social security number

Medical and Dental Expenses		Caution: Do not include expenses reimbursed or paid by others.	
1	Medical and dental expenses (see instructions)		1
2	Enter amount from Form 1040 or 1040-SR, line 8b		2
3	Multiply line 2 by 7.5% (0.075)		3
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4
Taxes You Paid		5 State and local taxes.	
	a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/>	5a	
	b State and local real estate taxes (see instructions)	5b	
	c State and local personal property taxes	5c	
	d Add lines 5a through 5c	5d	
	e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)	5e	
6	Other taxes. List type and amount	6	
7	Add lines 5e and 6	7	
Interest You Paid		8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>	
	a Home mortgage interest and points reported to you on Form 1098. See instructions if limited	8a	
	b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	8b	
	c Points not reported to you on Form 1098. See instructions for special rules	8c	
	d Mortgage insurance premiums (see instructions)	8d	
	e Add lines 8a through 8d	8e	
9	Investment interest. Attach Form 4952 if required. See instructions.	9	
10	Add lines 8e and 9	10	
Gifts to Charity		11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	11
	12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500.	12	
	13 Carryover from prior year	13	
14	Add lines 11 through 13	14	
Casualty and Theft Losses		15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions	15
Other Itemized Deductions		16 Other—from list in instructions. List type and amount	16
Total Itemized Deductions		17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 9	17
		18 If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>	

For Paperwork Reduction Act Notice, see the Instructions for Forms 1040 and 1040-SR. Cat. No. 17145C Schedule A (Form 1040 or 1040-SR) 2019

SCHEDULE D
(Form 1040 or 1040-SR)**Capital Gains and Losses**

OMB No. 1545-0074

2019Department of the Treasury
Internal Revenue Service (99)

- Attach to Form 1040, 1040-SR, or 1040-NR.
 ► Go to www.irs.gov/ScheduleD for instructions and the latest information.
 ► Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

Attachment
Sequence No. **12**

Name(s) shown on return

Your social security number

Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? ☐ Yes ☐ No
 If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

Part I Short-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below.

This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b				
1b Totals for all transactions reported on Form(s) 8949 with Box A checked				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked				
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions				6 ()
7 Net short-term capital gain or (loss). Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back				7

Part II Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)

See instructions for how to figure the amounts to enter on the lines below.

This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b				
8b Totals for all transactions reported on Form(s) 8949 with Box D checked				
9 Totals for all transactions reported on Form(s) 8949 with Box E checked				
10 Totals for all transactions reported on Form(s) 8949 with Box F checked				
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824				11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13 Capital gain distributions. See the instructions				13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				14 ()
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (h). Then go to Part III on the back				15

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11335H

Schedule D (Form 1040 or 1040-SR) 2019

Schedule D (Form 1040 or 1040-SR) 2019

Page **2****Part III Summary**

16	Combine lines 7 and 15 and enter the result	16	
	<ul style="list-style-type: none"> • If line 16 is a gain, enter the amount from line 16 on Form 1040 or 1040-SR, line 6; or Form 1040-NR, line 14. Then go to line 17 below. • If line 16 is a loss, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22. • If line 16 is zero, skip lines 17 through 21 below and enter -0- on Form 1040 or 1040-SR, line 6; or Form 1040-NR, line 14. Then go to line 22. 		
17	Are lines 15 and 16 both gains? <input type="checkbox"/> Yes. Go to line 18. <input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.		
18	If you are required to complete the 28% Rate Gain Worksheet (see instructions), enter the amount, if any, from line 7 of that worksheet	18	
19	If you are required to complete the Unrecaptured Section 1250 Gain Worksheet (see instructions), enter the amount, if any, from line 18 of that worksheet	19	
20	Are lines 18 and 19 both zero or blank? <input type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Forms 1040 and 1040-SR, line 12a (or in the instructions for Form 1040-NR, line 42). Don't complete lines 21 and 22 below. <input type="checkbox"/> No. Complete the Schedule D Tax Worksheet in the instructions. Don't complete lines 21 and 22 below.		
21	If line 16 is a loss, enter here and on Form 1040 or 1040-SR, line 6; or Form 1040-NR, line 14, the smaller of: <ul style="list-style-type: none"> • The loss on line 16; or • (\$3,000), or if married filing separately, (\$1,500) Note: When figuring which amount is smaller, treat both amounts as positive numbers.	21	
22	Do you have qualified dividends on Form 1040 or 1040-SR, line 3a; or Form 1040-NR, line 10b? <input type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Forms 1040 and 1040-SR, line 12a (or in the instructions for Form 1040-NR, line 42). <input type="checkbox"/> No. Complete the rest of Form 1040, 1040-SR, or 1040-NR.		

Schedule D (Form 1040 or 1040-SR) 2019

SCHEDULE 1
(Form 1040 or 1040-SR)Department of the Treasury
Internal Revenue Service

Name(s) shown on Form 1040 or 1040-SR

Additional Income and Adjustments to Income

▶ Attach to Form 1040 or 1040-SR.

▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2019
Attachment
Sequence No. **01**

Your social security number

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ **Yes** ☐ **No****Part I Additional Income**

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
3	Date of original divorce or separation agreement (see instructions) ▶		
4	Business income or (loss). Attach Schedule C	4	
5	Other gains or (losses). Attach Form 4797	5	
6	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	6	
7	Farm income or (loss). Attach Schedule F	7	
8	Unemployment compensation	8	
9	Other income. List type and amount ▶	9	
10	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	10	

Part II Adjustments to Income

11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18a	Penalty on early withdrawal of savings	18a	
18b	Alimony paid	18b	
18c	Recipient's SSN		
19	Date of original divorce or separation agreement (see instructions) ▶		
20	IRA deduction	20	
21	Student loan interest deduction	21	
22	Tuition and fees. Attach Form 8917	22	
23	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 8a	23	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040 or 1040-SR) 2019

Extra Tax Form Knowledge

1040 Line 2b: Taxable Interest

- This does not include tax-exempt interest income on line 2a
- Calculate estimated amount in bank or savings accounts
 - Take line 2b taxable interest income and divide by 1 or ½ %
 - This should be a reasonable guesstimate amount of those accounts if they are in cash
 - Usually broken down in detail on Schedule B
 - Compare this amount to your numbers

1040 Line 2a: Tax-Exempt Interest

- Tax-exempt (Municipal Bonds) interest on line 2a is NOT included in taxable interest on line 2b
- Amount shown on line 2a is usually not broken down in detail on subsequent schedules
- Take amount shown on line 2a and divide by 1 or 2% to get a reasonable guesstimate amount invested in municipal bonds
 - Compare this amount to your numbers

1040 Lines 3a & 3b: Dividend Income

- Line 3b includes the total of non-qualified dividends & qualified dividends (primarily dividends from stocks), which is the amount shown on line 3a.
- Line 3a “qualified” dividends are subject to lower income tax rates.
 - Qualified dividends are income tax-free if marginal tax bracket is 12% or less
- Qualified dividends are taxed at a 0%, 15% or 20% tax rate depending upon a taxpayer’s income (see chart on earlier page for details).
- Ordinary dividends (Line 3b) vs. Qualified dividends (Line 3a)
 - Difference is usually due to money market “non-qualified dividends”
 - Divide non-qualified dividends by 1 or ½% - this is the reasonable guesstimate amount that client should have in money market accounts -- Compare this amount to your numbers
- Non-qualified dividends – taxed at ordinary income rate
 - Money market-- REITs -- Preferred stocks
- Calculate how much they would need to invest in stocks to generate this much dividend income:
 - Take qualified dividend income on line 3a and divide this by 1.7% (~Dividend yield on S&P 500)
 - Compare this amount to the value of their stock portfolio – make sure the client hasn’t “forgotten” to tell you about their other brokerage accounts.

Schedule B (Look at Lines 4 & 6): Taxable Interest & Dividend Income

- Look for multiple # of institutions
 - Compare to your notes
 - Get copies of competitor’s statements to look at:
 - Assets
 - Cost basis and unrealized gains and losses
 - How accounts are titled
 - Strategies if more than one financial institution is listed on Schedule B:
 - **“Are you interested in reducing unnecessary paperwork?”**
 - **“Imagine getting one 1099 rather than ____ -wouldn’t that be easier? - You must love paperwork!”**

1040 Line 4a, 4b, 4c & 4d: IRAs, pensions and annuities distributions and taxable amounts

IRA Distributions & Taxable Amount- Lines 4a and 4b

- Tax return does not usually list all 1099-Rs separately
- 4(a) IRA distributions vs. 4(b) taxable amount – If 4(b) is 0, then the IRA distribution was rolled over into another IRA
- Does line 4a match with your IRA distributions?
- Discuss possibility of considering if appropriate Roth IRA conversion
- Tax return does not show RMD calculation
- Compute RMD vs. Actual distributions
- If IRA distributions are greater than RMD, reduce distribution down to RMD.
- Take this number and multiply by client's MTB = Income tax savings.
- Example: RMD = \$20,000, Distribution = \$28,000
 - Assume Federal MTB = 32%
 - Difference = \$8,000 x MTB (32%)
 - Tax Savings = \$2,560

Discuss Advantages of the Self-Directed IRA:

- “Many people have told me – ‘I have multiple IRAs because I want to diversify my investments.’”
- “How would you like to keep the same investments, in fact as many as you like – on just one statement – you will still have the diversification that you want, but have all of your IRA investments on one IRA statement? Think about it – one statement, one RMD calculation, one 1099-R – doesn't that make sense to you?”

VALUE ADDED IDEA to Consider if over 70 years of AGE --- Potential QCD

Pensions & Annuities & Taxable Amount-Line 4c and 4d

- This line does not differentiate between pensions & annuities
- If 4d is zero, the distribution could be a direct rollover from a retirement plan or if Annuity driven it would typically indicate a tax-free 1035 exchange from one non-qualified annuity into another non-qualified annuity
- Does the taxable income match the projected pension/annuity income in your financial plan?

1040 Line 5a & b: Social Security Benefits & Taxable Amount

- Social Security benefits - line 5a vs. taxation of Social Security benefits – line 5b
- Maximum amount subject to taxation is 85% of the benefits and not a tax rate of 85%!
- **CAN BE A COMPLICATED CALCULATION --- USE A TAX ADVISOR**

1040 Line 6: Capital Gains & Losses

- If positive number, special tax rates may apply
 - If this amount is a long-term capital gain, it is income tax-free if MTB (marginal tax bracket) is 12% or less
 - 0% / 15% / 20
- If they have a \$3,000 capital loss, there is typically a capital loss carryforward
- You don't know the amount of the capital loss carryforward unless you look at Schedule D

Schedule D: Capital Gains and Losses

- Compare sales price of securities sold vs. cost basis
 - Does this look reasonable? (red flag – gain more than 3 times basis)
 - Recheck computation of cost basis – especially if inherited
 - Step-up in basis issues

Schedule D Line 7: Net Short-Term Capital Gain & Loss and

Schedule D Line 15: Net Long-Term Capital Gain & Loss

- If net capital losses exceed net capital gains, then maximum deductible net capital loss that can be used to reduce other non-capital gains income (Example - IRA distribution) is \$3,000
 - Unused capital losses carryover indefinitely into future years
 - Remember - there is no limit on amount of capital losses that can offset capital gains

Schedule D: Capital Gain Distributions

- Strategies to reduce taxes on capital gain distributions
 - Choose better tax-efficient mutual funds
 - Review Unrealized Capital Gains & Losses on brokerage accounts
 - Sell assets with unrealized capital losses to offset capital gain distributions

Schedule D: Capital Loss Carryover

- Capital loss carryover has to be manually inserted every year
- Please note that this capital loss carryforward number from last year does not appear on the current tax return forms and is often overlooked to be carried forward into future years, especially if the client has a new tax preparer! In many cases, this # is forgotten and this “loss” is “lost” forever.
- “Why did this happen?”
- “Would you like to avoid this in the future?”

“Loss” Harvesting vs. “Gains” Harvesting

- Loss Harvesting – sell investments with unrealized capital losses now rather than wait until the end of the year. Buy investment back after 31 days to avoid “wash sale” rule. Remember – there is no time limit for the capital loss to be carried forward.
- Gains Harvesting – If client is only in 12% tax bracket – sell assets with unrealized capital gains income-tax free up to the top of their 12% tax bracket and buy back on the same day. This increases your cost basis and reduces capital gains in the future. You do not need to wait to buy back the investment – the 31 day “wash sale” rule does not apply to gains, only losses.
- You **do not** have to wait until the end of the year!

1040 Line 9: Itemized Deductions vs. Standard Deduction

- Compare total itemized deductions vs. Standard Deduction
 - If itemized deductions are greater, then itemize
 - If standard deduction is greater, take standard deduction
- **Remember – Under new tax laws less taxpayers will itemize**

Schedule A Lines 1, 3 & 4: Itemized Deductions – Medical Expenses

- Bunch in one year to exceed deductible limitation if close
- If clients qualify to deduct these medical expenses, did they include everything?
- Discussion of health considerations and possible LTC candidate

Schedule A Line 10: Itemized Deductions — Home Mortgage Interest

- Home mortgage interest – what is net after-tax interest rate - Interest rate paid less MTB
 - Example – Assume 5% mortgage interest rate and MTB 32%.
- $5.0\% \times 32\% = 1.6\%$
 $5.0\% - 1.6\% = 3.4\%$ Net Cost of mortgage
- Refinance?
- Consider paying off non-deductible interest loans.

Schedule A Lines 11 & 14: Itemized Deductions – Gifts to Charity

- Look for non-cash contributions
- You can gift up to \$500 without filing Form 8283
- Consider gifting appreciated stock

Schedule A Lines 17: Total Itemized Deductions

- Is it close to standard deduction?
- Are they charitable? Have you considered funding a Donor Advised Fund (DAF)?

1040 Line 11b: Taxable Income/ Calculation of After-Tax ROI

- Look at taxable income and check client's filing status (MFJ, Single)
- Refer to income tax rate schedule to determine Marginal Tax Bracket (MTB)
- Take this MTB percentage and add this to their approximate MTB in their state to get their total MTB
- **“It's not what you earn—it's what you keep!”**
- Subtract MTB (Marginal Tax Bracket) from 100%
- Multiply taxable ROI by this % to calculate the after-tax ROI
- Example:
 - Assume a client has taxable income of \$100,000 and filing status MFJ—federal MTB 22%,
 - $100\% \text{ less } 22\% = 78\%$
 - Assume interest rate at the bank is $1\% \times 78\% = 0.78\%$ after tax ROI
- Compare to after-tax return of other investments
- Recommend tax-advantaged investments
 - Muni Bonds
 - Qualified dividend stocks
 - Growth-oriented investments
 - Deferred annuities

1040 : Taxes from Other Forms or Other Taxes

- Could include Additional Medicare Tax (For higher income wage earners only)

1040 Line 16: Total Tax

- Look at Total Taxes – would *you* be happy?
- Compare to last year – Any major changes?
- Show the actual tax savings they achieve through your specific tax reduction strategies

1040 Line 18: Includes Estimated Taxes Paid

- “Do you enjoy writing checks to the government?”
 - Withheld taxes are invisible
- Avoid penalties – pay tax through withholding on wages or pension or IRA distributions
- Consider asking a tax professional to prepare tax projection based on tax strategies
- Estimated taxes are usually based on prior year tax liability and calculated automatically by tax software program – this year could be different!

1040 Line 20: Amount Overpaid

- “I never pay any taxes – I always get a refund!”
- Was there a significant refund?
 - Interest-free loan to government
 - Better tax planning needed

1040 Line 23: Amount You Owe

- Was there a significant amount due?
- Could be subject to additional penalties
- Recheck to see if estimated tax payments were made
- Confirm adequate liquidity is available to pay this tax in the near future.

1040 Line 24: Estimated Tax penalty

- Avoid where possible
- Think about suggesting they get a projection done



Five Star Tip

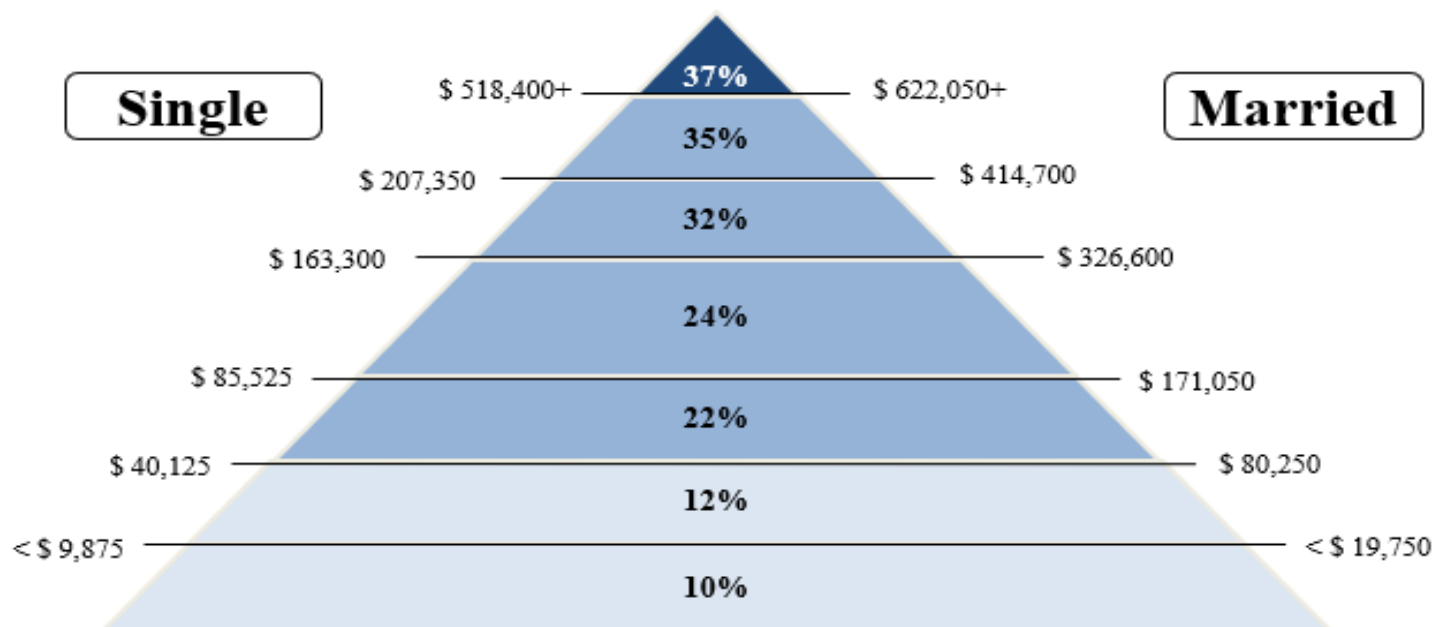
You do not need to know all of this information!

As a “tax reduction specialist”, these are some of the more important items you should review with prospects and clients on their tax returns.

10 Key Items to Review on a Tax Return

1	Income sources (flexible/non-flexible)	<input type="checkbox"/>
2	Capital Gains and Loss (harvesting)	<input type="checkbox"/>
3	Dividend sources	<input type="checkbox"/>
4	Any activity or Taxable Distribution on Line 4	<input type="checkbox"/>
5	Confirm retirement withdrawals and RMD calculations (if applicable) QCD?	<input type="checkbox"/>
6	Business Income (Retirement Plan?)	<input type="checkbox"/>
7	IRA Rollover opportunities	<input type="checkbox"/>
8	Charitable contributions (including non-cash) DAF?	<input type="checkbox"/>
9	Opportunity to bunch medical expenses	<input type="checkbox"/>
10	Confirm Tax Bracket, Refund or Tax bill	<input type="checkbox"/>

Income Tax Rates for 2020



Long-term capital gains tax rates 2020

TAX RATE	SINGLE FILER	HEAD OF HOUSEHOLD	MARRIED FILING JOINTLY
0%	\$40,000 or less	\$53,600 or less	\$80,000 or less
15%	\$40,001–\$441,450	\$53,601–\$469,050	\$80,001–\$496,600
20%	\$441,451 or more	\$469,051 or more	\$496,601 or more

Source: Tax Foundation. Note: The income figures represent total taxable income, or income after all deductions are taken.

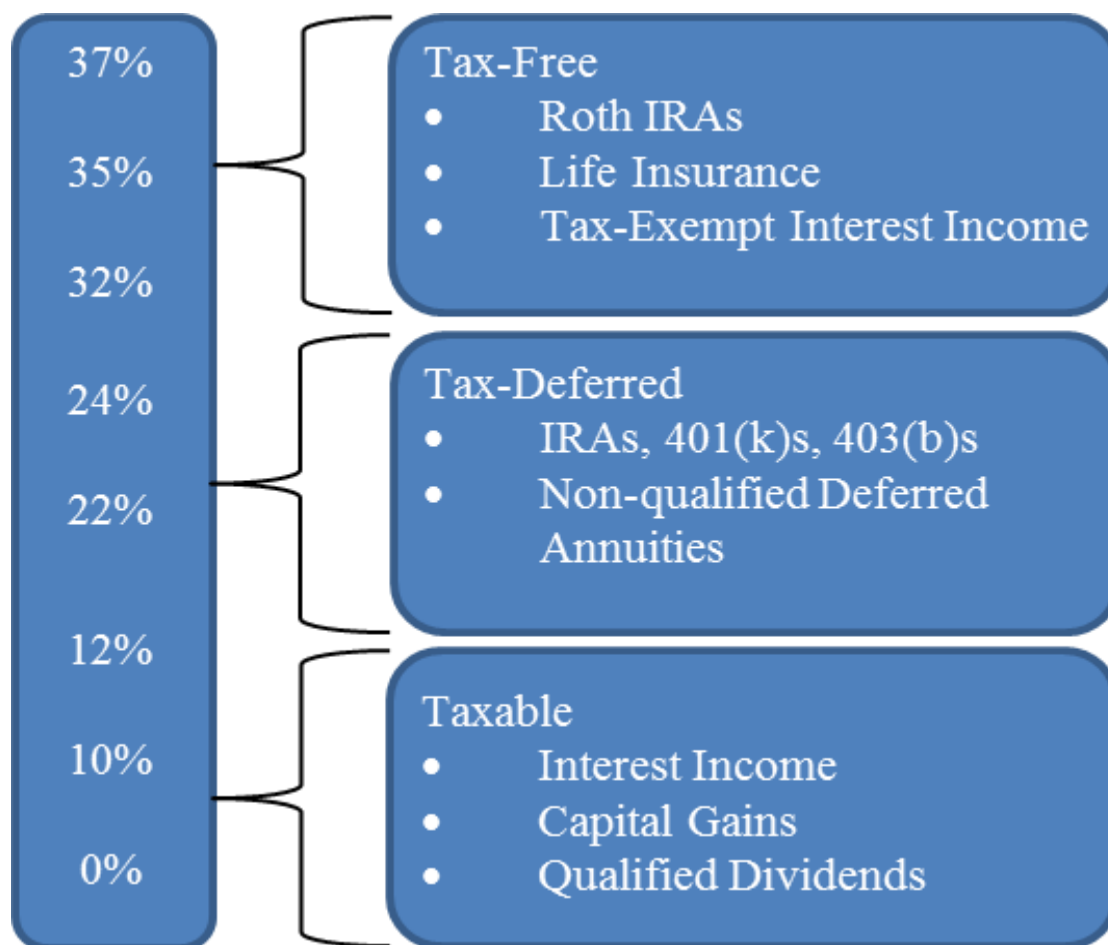
See NIIT info below

The Net Investment Income Tax (NIIT) applies a flat rate of 3.8% to your investment income if your adjusted gross income (AGI) is above the following amounts for your filing status:

- Married filing jointly and qualifying widow(er): \$250,000 or more
- Married filing separately: \$125,000 or more
- Single and head of household: \$200,000 or more

Reminder: Based on Age, income or tax filing status some tax filers are still eligible for a deductible IRA.

Asset Allocation Guide



1040 Tax Form Review to ADD VALUE

Review your client's tax return to **ADD VALUE**, with the understanding that you will be putting your findings into four major categories:

1. Information to **Confirm**.
2. Things to **Question**.
3. **Investment Related** Items.
4. **Tax Advisor** Questions and Issues.

Opening Statement:

“Our review of your tax return is not a tax audit or an exercise in tax preparation. The focus of this review will be from the investment perspective. Our first goal is to cite observations and ask questions. Our ultimate goal is to identify some opportunities that can potentially be helpful tax-wise.

This is the same way when you go to the doctor for a check-up. During that checkup it isn't always necessary for the doctor to find anything wrong. The purpose is also to confirm that you're healthy. We're doing the same thing here, Is that Ok with you?”

AFTER THEY ACKNOWLEDGE

“Obviously if there is a way to reduce your taxes, then you're interested in hear about that?”

***Reminder:** your goal is to establish expertise and not just identify areas that can immediately reduce taxes or save them money.

Confirming they did not overpay taxes is a value add!!!

Next, start by verifying simple demographics about the person and the return.

FOR OLDER CLIENTS/PROSPECTS : “Your age is ____.”

“Your filing status is ____.”

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2019** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)

Then Review their Income and their 1040

“You seem to have several sources of income. Some income is Non-Flexible; like a paycheck or a pension. You would not want to tell your job not to pay you, but some income is more Flexible, like interest and dividends. This type of income could possibly be adjusted. During this review we are going to look for both types.”

“Let’s quickly review your sources of income”

- | | |
|-----------------------------|-------------------|
| 1. Review line 1 | (Retired/Working) |
| 2. Review lines 2a/2b | (Schedule B) |
| 3. Review lines 3a/3b | (Schedule B) |
| 4. Review lines 4a/4b/4c/4d | (If filled in) |
| 5. Review lines 5a/5b | (If filled in) |
| 6. Review line 6 | (Schedule D) |
| 7. Review line 9 | (Schedule A) |
| 8. Mention line 10 | (If filled in) |
| 9. Review line 11b | |

Standard Deduction for—

- Single or Married filing separately, \$12,200
- Married filing jointly or Qualifying widow(er), \$24,400
- Head of household, \$18,350
- If you checked any box under Standard Deduction, see instructions.

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1
2a	Tax-exempt interest	2a
2b	Taxable interest. Attach Sch. B if required	2b
3a	Qualified dividends	3a
3b	Ordinary dividends. Attach Sch. B if required	3b
4a	IRA distributions	4a
4b	Taxable amount	4b
4c	Pensions and annuities	4c
4d	Taxable amount	4d
5a	Social security benefits	5a
5b	Taxable amount	5b
6	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	6
7a	Other income from Schedule 1, line 9	7a
7b	Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income	7b
8a	Adjustments to income from Schedule 1, line 22	8a
8b	Subtract line 8a from line 7b. This is your adjusted gross income	8b
9	Standard deduction or itemized deductions (from Schedule A)	9
10	Qualified business income deduction. Attach Form 8995 or Form 8995-A	10
11a	Add lines 9 and 10	11a
11b	Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-	11b

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2019)

SCHEDULE B
(Form 1040 or 1040-SR)

Department of the Treasury
Internal Revenue Service (IRS)

Interest and Ordinary Dividends

OMB No. 1545-0074
2019
Attachment
Sequence No. 08

Go to www.irs.gov/ScheduleB for instructions and the latest information.
Attach to Form 1040 or 1040-SR.

Name(s) shown on return

Your social security number

Part I Interest

(See instructions and the instructions for Forms 1040 and 1040-SR, line 3b.)

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address.

Amount

1

2 Add the amounts on line 1

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815.

4 Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b.

Note: If line 4 is over \$1,500, you must complete Part III.

Part II Ordinary Dividends

(See instructions and the instructions for Forms 1040 and 1040-SR, line 3b.)

5 List name of payer.

Amount

5

6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b.

Note: If line 6 is over \$1,500, you must complete Part III.

Part III Foreign Accounts and Trusts

You must complete this part if you (a) had over \$1,200 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

7a At any time during 2019, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions.

If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements.

b If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located.

8 During 2019, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions.

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 1714EN Schedule B (Form 1040 or 1040-SR) 2019

SCHEDULE D
(Form 1040 or 1040-SR)

Department of the Treasury
Internal Revenue Service (IRS)

Capital Gains and Losses

OMB No. 1545-0074
2019
Attachment
Sequence No. 12

Go to www.irs.gov/ScheduleD for instructions and the latest information.
Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 15.

Name(s) shown on return

Your social security number

Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? ☐ Yes ☐ No
If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

Part I Short-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below.
This form may be easier to complete if you round off cents to whole dollars.

	(a) Proceeds (sales price)	(b) Cost (or other basis)	(c) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(d) Gain or (loss) Subtract column (b) from column (a) and combine the result with column (c)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b.				
1b Totals for all transactions reported on Form(s) 8949 with Box A checked				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked				
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions				6
7 Net short-term capital gain or (loss). Combine lines 1a through 6 in column (d). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back				7

Part II Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)

See instructions for how to figure the amounts to enter on the lines below.
This form may be easier to complete if you round off cents to whole dollars.

	(a) Proceeds (sales price)	(b) Cost (or other basis)	(c) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(d) Gain or (loss) Subtract column (b) from column (a) and combine the result with column (c)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b.				
8b Totals for all transactions reported on Form(s) 8949 with Box D checked				
9 Totals for all transactions reported on Form(s) 8949 with Box E checked				
10 Totals for all transactions reported on Form(s) 8949 with Box F checked				
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824				11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13 Capital gain distributions. See the instructions				13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				14
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column (d). Then go to Part III on the back				15

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 11338H Schedule D (Form 1040 or 1040-SR) 2019

Review Schedule B: Interest and Ordinary Dividends (Pages 6 & 7)

Review Schedule D: Capital Gains and Losses (Page 7)

Then, Check and Review If they Itemized or Used Standard Deductions

“You opted for a Standard Deduction of _____.”

Or

“Let’s Quickly Review your Itemized deductions.”

1. Review line 9 (Standard or Schedule A)

Review only!

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Please consult a Tax Professional for specific Advice.*

Review Itemized Deductions

“Now let’s review your other deductions and taxes.”

Now review Schedule A.

1. Medical & Dental Expenses Line 4
2. Other Taxes Lines 5 & 6
total on Line 7 (Capped at \$10,000)
3. Interest Paid Lines 8 & 9
(total on Line 10)
4. Charitable Gifts Lines 11-13
(total on Line 14)

★ **5 Star Tip: \$250-500 of Line 12 without any additional forms.** ★

5. Other Itemized Deductions Line 16
6. Total Itemized Deductions Line 17

“Let’s Review Schedule 1” (if filled out)

For Business owners, check for:

- 1) SEP, Simple or Qualified Retirement plans
- 2) HSA’s
- 3) Self-employed health insurance (could be Medicare)

Also check for

- Educator expenses \$250 (teachers)
- IRA deduction



Five Star Tip

This is NOT a tax prep or tax class.

Bonus for high earners

Check to see if they're affected by the Additional Medicare Surtax
Would have Form 8959

ALWAYS INCLUDE THIS INFORMATION!

“Your Taxable income is _____.” (Line 11b, FORM 1040)

Your total Federal tax bill 2019 is (Line 16). This means your taxes were _____% of your income. This is referred to as your Overall Federal Income tax rate (You get this by dividing Line 16/Line 11).

Your Marginal Federal tax bracket is _____. (You find this by looking at a tax chart).

That means you paid _____% of your income to taxes, but on your next taxable dollar the federal government wants _____%.

It is important to know this because every dollar that is less taxable could save you this amount!”

- Check to see if they over-withheld or owe tax money.



Five Star Tip

Create then Review your full (or what is needed) list of findings.



Five Star Tip

This is **VALUE ADDED** that most advisors *do not and cannot offer!*

Main Idea: Identify Areas to ADD VALUE

Tax Questions and Phrases to Use with Clients and Prospects

1. “Do you think it would be a good idea to know what the tax consequence of a transaction would be before the transaction takes place?”
Response: “Of course.”
“How often does your financial advisor look at your tax return?”
Response: “I don’t think *she/he* has ever even asked to look at my tax return.”
“Well, if *she/he* didn’t look at your tax return, how would *she/he* know what the tax consequence *would* be due to their recommendations?”
2. “Do you know how much taxes you paid last year?”
3. “It’s not what you make – it’s what you keep!”
4. “I don’t want you to pay any more taxes than you legally have to!”
5. “Are you worried about your taxes going up in the near future?”
6. “Let’s reduce any unnecessary taxes – is that ok with you?”
7. “I see a number of things that should help reduce your taxes. However, I would like to do some additional research; I will go over the details with you at our next meeting.”
8. “Always know your options, because one of your options is to do nothing!”
9. “I’d like to be proactive, not reactive, to reducing your taxes!”
10. “Let’s see what we can do today to reduce your taxes for tomorrow.”
11. “Tax *preparation* is the easy part because you are dealing with historical data; tax *planning* is much more difficult because it is based on projections in the future.”
12. “I am not going to prepare your taxes; I just want to reduce your taxes!”
13. “Didn’t your advisor bring that up?”
14. “When was the last time someone looked at your tax return and said, ‘Here are the things you can do to reduce your taxes!’?”
15. “If I see something very important that you should be aware of, is it okay if I bring it up to you?”
16. “It’s easier to avoid a problem than it is to solve one!”
17. “The only thing that’s constant is change – especially the tax laws!”
18. “Are you familiar with all the new tax law changes that have recently passed?”
19. “Are you ever confused about the tax laws?”
20. “Do you know what the difference is between an Inherited IRA and an IRA that is inherited?”
21. “I don’t want you to have a problem with the IRS!”

Notes