

Tax Planning

Tax Time Tips and Reminders

Forgetting about tax deductions or credits can be costly. It's important to tell your tax preparer about your expenses, gifts and retirement plan contributions to help lessen your tax bill. Even if you prepare your own tax return, begin gathering this information now. Here is a list of useful items that can easily slip your mind.

Note: The IRS forms and publications noted on this page can be found at www.irs.gov. Be sure to review the 2019 version of these documents.

IRA Contribution Deduction	Have you told your tax preparer about your IRA contributions for 2019? Investors commonly forget to mention this fact unless they make the contribution near the time they actually file the tax return. A Traditional IRA contribution must be reported on your tax return, whether or not it is deductible.
Charitable Contributions	<p>Not all charities send a confirmation statement or letter of your gift when the contribution is less than \$250. Review your check records or credit card statements for any forgotten charitable donations.</p> <p>If you took a qualified charitable distribution (QCD) from your IRA in 2019, be sure to review the instructions for Form 1040 to properly report this type of IRA distribution, or provide your tax preparer with all the details.</p>
Tax Benefits for Education	<p>There are many tax benefits available to taxpayers who have education related expenses. To determine which credit or deduction is most beneficial to you, refer to IRS Publication 970 for a complete list. This publication will also help you with reporting and taxation of withdrawals from a 529 plan or Education Savings Account.</p> <p>New law: Qualified distributions from a 529 plan also include expenses for participation in a certified apprenticeship program, and up to \$10,000 lifetime limit used to repay qualified education loans for each designated beneficiary or sibling.</p>
Military Families	There are many special tax rules for military families. To be sure you are taking advantage of those that apply to you, review IRS Publication 3, Armed Forces' Tax Guide. Also, confirm that your tax preparer has experience with filing tax returns for military families.
Casualty Losses	Many people were impacted by the hurricanes, wild fires and other natural disasters of 2019. If you suffered a loss related to one of these disasters you may be able to deduct that loss on your tax return. For more information refer to IRS Publication 584.
Health Insurance Premium Tax Credit	If you purchased health insurance through the Health Insurance Marketplace in 2019, you may be eligible for the premium tax credit. To claim the credit or reconcile advance payments of the credit, file IRS Form 8962 with your income tax return. The Marketplace is required to provide IRS Form 1095-A no later than Jan. 31 to assist you with claiming the credit.
Foreign Taxes Paid	If you invest in foreign securities, you may have had to pay foreign withholding tax to another country. In this case, you may be able to claim the taxes paid as an itemized deduction on Form 1040 Schedule A or as a foreign tax credit on Form 1116. For many investors these amounts are easily overlooked.

Tax Returns for Children	<p>It is easy to forget that your young child had income during the year. Children with investment income or capital gains transactions may be required to file a tax return of their own. To determine filing requirements for your child's situation, review IRS Publication 929, Tax Rules for Children and Dependents.</p> <p>New law: Passage of the SECURE Act resulted in new changes to the "kiddie tax" rules for 2020. However, the Act allows taxpayers to elect to apply the new rules retroactively to 2018 or 2019, or both. Work with your tax advisor to determine which tax calculation method is better for your child's situation.</p>
Extending Your Tax Return	<p>In some cases you may not have all of the information needed to complete your income tax return by the April deadline. For example, if you have investments that report tax information to you on a Schedule K-1 instead of Form 1099, you may not receive your Schedule K-1 until after the return due date. If this is your situation you may consider filing Form 4868 to receive an automatic 6-month extension of time to file your return. However, this is an extension of time to file, not to pay. You must pay your tax due by the original due date.</p>
Estimated Tax Payments	<p>The IRS requires that you pay your income tax throughout the year as the income is earned (with few exceptions). This is typically done through withholding. For income that is not subject to withholding, you may be required to make estimated tax payments on Form 1040-ES in order to avoid penalties.</p> <p>Your tax advisor can help with this determination. The new Withholding Tax Estimator at irs.gov is also a helpful tool for determining the proper amount needed for tax payments.</p>

Choosing a Tax Preparer

Choosing a tax preparer is another important decision during income tax filing season. Here are some tips for selecting a tax preparer:

- Be wary of tax preparers who claim they can obtain larger refunds than others or who claim they can always get you a refund.
- Avoid tax preparers who base their fees on a percentage of the refund.
- Use a reputable tax professional who signs the tax return and provides a copy.
- Consider whether the individual or firm will be in business months or years after the return has been filed to answer questions about the tax return's preparation.
- Check the preparers' credentials. Only attorneys, CPAs and enrolled agents can represent taxpayers before the IRS in all matters, including audits, collections and appeals. Beginning with tax returns signed after December 31, 2015, the only other tax return preparers with any representation rights will be those who participate in the IRS Annual Filing Season Program. These preparers are limited to representing taxpayers whose returns they prepared and signed; and only in initial audits, customer service matters, and before the Taxpayer Advocate Service.
- Find out if the return preparer is affiliated with a professional organization that provides its members with continuing education and other resources, and holds the preparer to a code of ethics.
- Verify the preparer has an IRS Preparer Tax Identification Number (PTIN). Only a preparer who has a valid PTIN is authorized to prepare federal tax returns for compensation.

You can view more information about choosing a tax return preparer at irs.gov/tax-professionals/choosing-a-tax-professional.

Try out these IRS tools at irs.gov

Tax Withholding Estimator	Review your paycheck to see if you have the right amount of tax withheld for your personal situation. This tool may also help retirees who may have tax withheld from other sources such as Social Security payments.
Where's My Refund?	Check the status of your refund online.
Charitable Organization Look-up	Search for a charity or non-profit organization and find out if it's eligible to receive tax-deductible contributions.
Sales Tax Calculator	Determine the amount of optional state and local sales tax you can claim as an itemized deduction.

Your Financial Advisor Can Help

Investments and taxes go hand in hand. Your Financial Advisor can help this tax season go more smoothly for you by:

- Providing a Realized Capital Gain and Loss statement or other account information to assist in preparing your tax return.
- Opening a last-minute IRA or depositing an IRA contribution for the 2019 tax year through April 15, 2020.
- Providing the account information needed on your income tax return to directly deposit your income tax refund into your investment account or IRA.
- Collaborating with you and your tax advisor regarding:
 - How the recent tax law changes may impact your investments or retirement accounts
 - How future changes to your portfolio may impact your tax situation
 - The need to make any modifications to tax withholding on your IRA distributions or other investment income
- Providing the report *Help Avoid Tax Related Identity Theft* to help reduce your chances of becoming a victim. It will also provide information about what to do if you believe someone has used your Social Security Number to file a tax return and claim a fraudulent refund.

Wells Fargo Advisors is not a tax or legal advisor. While this information is not intended to replace your discussions with your tax advisor, it may help you to comprehend the tax implications of your investments and plan efficiently going forward.

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