

# Tax Update

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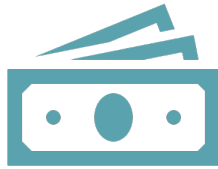
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# Taxes

- Property taxes
- Gift & Estate taxes
- Income taxes

# Property Taxes in California

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## **Proposition 13 (1978)**

Tax rate on acquisition value capped at 1%  
Annual increase not to exceed 2%



## **Proposition 58 (1986)**

## **Proposition 193 (1996)**

Allows transfer of residence to children with out re-assessment  
Allows transfer of \$1 million of other real property with out re-assessment



## **Propositions 60 (1986)**

## **Proposition 90 (1988)**

Allows transfer of assessed value to new home if over age 55

# Federal Gift & Estate Taxes

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**2020**

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Annual Gift Tax  
Exclusion \$15,000

Estate Exemption \$11,580,000

Estate Tax Rate  
(highest) 40%

# Income Taxes

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- Income
- Deductions
- Other Taxes
- 2020 Coronavirus Related Rules



# Ordinary Income vs. Capital Gains

## Ordinary Income

- Wages
- Interest and Non-qualified Dividends\*
- Social Security
- Pension
- IRA Distributions
- Rental and Royalty Income\*
- Gain on sale of asset owned < 1 year\*

## Capital Gains

- Qualified Dividends\*
- Gain on sale of asset owned > 1 year\*

Taxable Income		
Ordinary Income		
Rate	Single	MFJ
10%	\$0 - \$9,875	\$0 - \$19,750
12%	\$9,876 - \$40,125	\$19,751 - \$80,250
22%	\$40,126 - \$85,525	\$80,251 - \$171,050
24%	\$85,526 - \$163,300	\$171,051 - \$326,600
32%	\$163,301 - \$207,350	\$326,601 - \$414,700
35%	\$207,351 - \$518,400	\$414,701 - \$622,050
37%	\$518,401 +	\$622,051 +

Capital Gains		
Rate	Single	MFJ
0%	\$0-\$40,000	\$0-\$80,000
15%	\$40,000-\$441,450	\$80,000-\$496,600
20%	Over \$441,550	Over \$496,600

# Standard or Itemized Deductions?

## Standard Deduction

- Single \$12,400 + \$1,650 over age 65 or blind
- MFJ \$24,800 + \$1,300/spouse over age 65 or blind

## Itemized Deductions

- Medical & Dental Expenses (over 7.5% of AGI)
- Taxes You Paid
- Interest You Paid
- Gifts to Charity
- Casualty & Theft Losses

**SCHEDULE A (Form 1040)**  
Department of the Treasury  
Internal Revenue Service (99)  
Name(s) shown on Form 1040

Information about Schedule A and its separate instructions is at [www.irs.gov](http://www.irs.gov)  
▶ Attach to Form 1040.

**Medical and Dental Expenses**

**Taxes You Paid**

**Interest You Paid**

**Itemized Deductions**

**Caution:** Do not include expenses reimbursed or paid by others.

- 1 Medical and dental expenses (see instructions)
- 2 Enter amount from Form 1040, line 38
- 3 Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead
- 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -
- 5 State, local (check only one box):
  - a  General taxes
  - b  Real estate taxes
- 6 Personal property taxes
- 7 Other taxes. List type
- 8 Add lines 5 through 8.
- 9 Home mortgage interest not reported to the person from whom you bought the home and show that person's name, identifying no.
- 10 Home mortgage interest not reported to the person from whom you bought the home and show that person's name, identifying no.
- 11 Points not reported to you on Form 1040


Note: Home mortgage interest not reported to you on Form 1040. Attach Form 40

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# Other Income Taxes

- 3.8% Net Investment Income Tax
- 1% - 13.3% California State Income Tax





# SECURE Act (2019) Key Provisions

- RMDs for IRAs to start at age 72
- Non-spouse retirement account beneficiaries now have only 10 years to withdraw entire account
- Incentives for employer retirement plans

# CARES Act (2020) Key Provisions

- Unemployment compensation benefits
- Small business assistance
- Income tax credits against 2020 income
- 2020 RMDs waived
- Coronavirus-Related Distributions from retirement accounts up to \$100,000 are penalty-free in 2020
  - Eligible to be repaid over 3 years
  - Income may be spread over 3 years

# Thank you!

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