

## RECORD RETENTION FOR INDIVIDUALS

Good recordkeeping can cut your taxes and make your financial life easier.

How long to keep records is a combination of judgment and state and federal statutes of limitations. Since federal tax returns can generally be audited for up to three years after filing and up to six years if the IRS suspects underreported income, it's wise to keep tax records at least seven years after a return is filed. Requirements for records kept electronically are the same as for paper records. Generally, follow these recommended retention periods for various documents:

RECORD	RETENTION PERIOD
Tax returns ( <i>uncomplicated</i> )	7 years
Tax returns ( <i>all others</i> )	Permanent
W-2s	7 years
1099s	7 years
Bank deposit slips	7 years
Bank statements	7 years
Cancelled or substitute checks supporting tax deductions	7 years
Charitable contribution records	7 years
Credit card statements	7 years
Dividend reinvestment records	Ownership period + 7 years
Divorce documents	Permanent
Estate planning documents	Permanent
Home purchase and improvement documents	Ownership period + 7 years
Home repair receipts	Warranty period for item
Insurance policies	Life of policy + 3 years*
Investment purchase and sales documents	Ownership period + 7 years
IRA annual reports	Permanent
IRA nondeductible contributions Form 8606	Permanent
Loans	Term of loan + 7 years
Mutual fund annual statements	Ownership period + 7 years
Receipts, diaries, logs pertaining to tax return	7 years
Retirement plan annual reports	Permanent
Year-end brokerage statements	Ownership period + 7 years

\*Check with your agent. Liability for prior years can vary.

## RECORD RETENTION FOR BUSINESSES

In business, good recordkeeping is essential not only for tax reporting purposes but also for the success of the company. The guidelines below give general retention periods for the most common business records. Call us if you'd like more information or assistance with your record retention program.

ACCOUNTING RECORDS	RETENTION PERIOD
Accounts payable	7 years
Accounts receivable	7 years
Audit reports	Permanent
Chart of accounts	Permanent
Depreciation schedules	Permanent
Expense records	7 years
Financial statements ( <i>annual</i> )	Permanent
Fixed asset purchases	Permanent
General ledger	Permanent
Inventory records	7 years <sup>1</sup>
Loan payment schedules	7 years
Purchase orders ( <i>1 copy</i> )	7 years
Sales records	7 years
Tax returns	Permanent
<b>BANK RECORDS</b>	
Bank reconciliations	2 years
Bank statements	7 years
Cancelled or substitute checks	7 years <sup>2</sup>
Electronic payment records	7 years
<b>CORPORATE RECORDS</b>	
Board minutes	Permanent
Business licenses	Permanent
Bylaws	Permanent
Contracts – major	Permanent
Contracts – minor	Life + 4 years
Insurance policies	Life + 3 years <sup>3</sup>
Leases/mortgages	Permanent
Patents/trademarks	Permanent
Shareholder records	Permanent
Stock registers	Permanent
Stock transactions	Permanent
<b>EMPLOYEE RECORDS</b>	
Benefit plans	Permanent
Employee files ( <i>ex-employees</i> )	7 years <sup>4</sup>
Employment applications	3 years
Employment taxes	7 years
Payroll records	7 years
Pension/profit-sharing plans	Permanent
<b>REAL PROPERTY RECORDS</b>	
Construction records	Permanent
Leasehold improvements	Permanent
Lease payment records	Life + 4 years
Real estate purchases	Permanent

<sup>1</sup> Permanent for LIFO system

<sup>2</sup> Permanent for real estate purchases

<sup>3</sup> Check with your agent. Liability for prior years can vary

<sup>4</sup> Or statute of limitations for employee lawsuits

2020

# Tax POCKET GUIDE

## Essential Information to Know

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## 2020 TAX FILING DEADLINES

- ☐ **January 15** – Due date for the fourth installment of 2019 individual estimated tax.
- ☐ **January 31** – Due date for employers to furnish W-2 statements to employees, and to file Forms W-2 with the Social Security Administration (both paper and electronic forms).
- ☐ **January 31** – Due date for payers to provide most Forms 1099-MISC with non-employee compensation in box 7 to recipients and to the IRS.
- ☐ **January 31** – Employers must file 2019 federal unemployment tax returns and pay any tax due.
- ☐ **February 28** – Payers file most other Forms 1099 (except certain Forms 1099-MISC due Jan. 31) with the IRS.\*
- ☐ **February 28** – Due date for providers to file Forms 1095 with the IRS.\*
- ☐ **March 2** – Due date to send Forms 1095 to recipients.
- ☐ **March 16** – 2019 calendar-year S corporation income tax returns are due.
- ☐ **March 16** – 2019 partnership returns are due.
- ☐ **March 16** – Deadline for calendar-year corporations to elect S corporation status for 2020.
- ☐ **April 15** – 2019 individual income tax returns due.
- ☐ **April 15** – 2019 annual gift tax returns are due.
- ☐ **April 15** – 2019 calendar-year C corporation income tax returns are due.
- ☐ **April 15** – Deadline for making 2019 IRA contributions.
- ☐ **April 15** – First installment of 2020 individual estimated tax is due
- ☐ **April 15** – Farmers and fishermen who did not make 2019 estimated tax payments must file 2019 tax returns and pay taxes in full. (Extension)
- ☐ **June 15** – Second installment of 2020 individual estimated tax is due.
- ☐ **September 15** – Third installment of 2020 individual estimated tax is due.
- ☐ **September 15** – S corp and partnership extension returns due date.
- ☐ **October 15** – Deadline for filing 2019 individual tax and C corp returns on extension from April.
- ☐ **January 15, 2021** – Fourth installment of 2020 individual estimated tax is due.

\*March 31 if filing electronically

Call our office for details or for assistance with any tax filing. Also be aware that tax change can occur at any time. As needed, contact us for current rates and rules.

## 2020 INDIVIDUAL TAX RATES – Taxable Income

TAX RATE	SINGLE	JOINT*	HEAD OF HOUSEHOLD
10%	\$1 - 9,875	\$1 - 19,750	\$1 - 14,100
12%	9,876 - 40,125	19,751 - 80,250	14,101 - 53,700
22%	40,126 - 85,525	80,251 - 171,050	53,701 - 85,500
24%	85,526 - 163,300	171,051 - 326,600	85,501 - 163,300
32%	163,301 - 207,350	326,601 - 414,700	163,301 - 207,350
35%	207,351 - 518,400	414,701 - 622,050	207,351 - 518,400
37%	Over 518,400	Over 622,050	Over 518,400

\*Amounts for married separate are one-half joint amounts.

## 2020 DEDUCTIONS AND EXEMPTIONS

### Standard Deduction

Single	\$12,400
Joint returns and surviving spouses	\$24,800
Married filing separately	\$12,400
Head of household	\$18,650

The standard deduction is increased by \$1,300 for a married taxpayer 65 or older or blind (\$2,600 if both 65 and blind); by \$1,650 for a single taxpayer 65 or older or blind (\$3,300 if both 65 and blind).

**Personal Exemption** . . . . . Suspended through 2025

## 2020 FICA TAX RATES

TAX	MAXIMUM TAX RATE	MAXIMUM WAGE BASE	MAXIMUM TAX
Social Security	6.20%	\$137,700	\$8,537.40
Medicare	1.45%*	No limit	No ceiling

The Federal Insurance Contributions Act (FICA) tax is a combination of a Social Security tax and a Medicare tax. The Social Security tax is assessed on wages up to \$137,700; the Medicare tax is assessed on all wages.

For 2020, self-employed individuals pay a 15.3% Old Age, Survivors and Disability Insurance (OASDI) tax, which is similar to the FICA tax, on the first \$137,700 of self-employment income.

\*A 0.9% Medicare surtax is assessed on all wages or self-employment income in excess of \$200,000 for singles, \$250,000 for joint returns, and \$125,000 for married couples filing separately.

## 2020 CORPORATE TAX RATES

### C Corporations

- Flat 21% corporate tax rate. Includes personal service corporations.
- No alternative minimum tax (AMT).

### Pass-through entities

- (S corps, partnerships and sole proprietors)
- Taxed as ordinary income.
- 20% income deduction calculation still available. Qualified service trade business threshold: \$163,300 (\$326,600 joint)
- Select service companies above these limits have the income deduction reduced.

## 2020 INCOME PHASEOUT LEVELS

### ITEMIZED DEDUCTIONS

- \$750,000 new acquisition indebtedness interest limit after 12/14/17.
- \$10,000 property/state income & sales tax limit.
- Personal and casualty losses limited to presidentially declared disaster.
- Wager loss limitation applies to gambling and related expenses.
- No miscellaneous itemized deductions over 2%.
- Medical expense threshold stays at 7.5% for everyone in 2020.
- Mortgage insurance premiums deduction reinstated through 2020.

### ALTERNATIVE MINIMUM TAX EXEMPTION

Single and head of household	\$72,900
Joint returns and surviving spouses	\$113,400
Married filing separately	\$56,700
Estates and trusts	\$25,400

### CHILD TAX CREDIT

	(\$2,000 per child)
Single and head of household	Starts at \$200,000
Joint	Starts at \$400,000
Married filing separately	Starts at \$200,000

### FAMILY TAX CREDIT

\$500/dependent for those not qualified for CTC

### IRA DEDUCTIBILITY (with company pension)

Single and head of household	\$65,000 - 75,000
Joint	\$104,000 - 124,000
When spouse has company pension	\$196,000 - 206,000
Married filing separately	\$0 - 10,000

### ROTH IRA ELIGIBILITY

Single and head of household	\$124,000 - 139,000
Joint	\$196,000 - 206,000
Married filing separately	\$0 - 10,000
Conversion of traditional IRA to a Roth IRA	No income limit

### EDUCATION SAVINGS ACCOUNT (Ed. IRA)

Single, head of household and married filing separately	\$95,000 - 110,000
Joint	\$190,000 - 220,000

### AMERICAN OPPORTUNITY (HOPE) CREDIT

Single and head of household	\$80,000 - 90,000
Joint	\$160,000 - 180,000
Married filing separately	\$0

### LIFETIME LEARNING CREDIT

Single and head of household	\$59,000 - 69,000
Joint	\$118,000 - 138,000

### COLLEGE BOND INTEREST EXCLUSION

Single and head of household	\$82,350 - 97,350
Joint	\$123,550 - 153,550

### INTEREST ON EDUCATION LOANS

Single and head of household	\$70,000 - 85,000
Joint	\$140,000 - 170,000

\*Adjusted or modified adjusted gross income