Dear Clients and Friends:

We hope that you are safe and healthy as you deal with the COVID-19 crisis. 2020 has been a year of turmoil as evidenced by a highly partisan election, a surging pandemic, an economy working to recover as we await a COVID-19 vaccine, and a fluctuating stock market.

As we receive more clarity on the outcome of the 2020 elections, it is possible that the Biden administration will have to work with a Republican Senate and a Democrat-controlled House to navigate various tax policy issues in the coming year. Regardless of the outcome of the Georgia runoff elections, the short-term focus for legislation will likely be centered on various measures and provisions that could lessen the economic blow that the COVID-19 pandemic is having. Biden's tax plan, which calls for increased taxes on higher earners, largely depended on a Democratic sweep during the 2020 election. The current economic conditions make tax hikes an unattractive option in the short run, and a Republican-held Senate makes it less likely that there will be congressional interest in large tax increases.

Although the majority of taxpayers think of April 15th as their deadline for federal tax purposes over the course of any single year, looking at December 31st as a more important date makes much more sense for many taxpayers. You can always file an extension to avoid the April 15th deadline (though we don't encourage this unless complete and accurate returns can be prepared); but you can't move the end of your tax year.

Once December 31 passes, your taxable income, deductions, credits and tax liability for the year are all "set in concrete" with little, if any, opportunity to change the outcome. As a result, year-end tax planning should form an essential part of your financial strategy. Changes brought about during this year, and forecasts for 2021, make that advice even more compelling for year-end 2020.

Effective year-end tax planning for 2020 combines use of traditional techniques of acceleration and deferral of income/deductions with appropriate responses to a constantly changing tax landscape. As the end of 2020 approaches, several tax planning opportunities may be available to help reduce your tax burden, especially as Congress enacted various provisions designed to help taxpayers during the COVID-19 pandemic.

Traditional Planning

Traditional year-end tax planning incorporates a standard set of considerations but is far from a one-size-fits-all process. Every plan must account for the particular needs and circumstances of each individual or business.

Adjust Income Tax Payments. If, after reviewing the 2019 return, the taxpayer had a balance due, consider adjusting paycheck withholding for the remainder of 2020, and/or make an estimated payment to avoid an estimated tax penalty. An individual may be able to avoid the penalty by paying withholding and/or estimated taxes based on 100% of the tax shown on the 2019 return. However, if an individual's adjusted gross income as shown on the 2019 return exceeds $150,000 ($75,000 in the case of a married individual who files separately), the amount of the required installment generally increases to 110% of the tax shown on the 2019 return.

400 Commonwealth Avenue, Boston, MA 02215
617-262-0700 • www.dakotawm.com

To adjust income taxes withheld or estimated tax payments one should review your projected 2020 income taxes before year end. In addition to reviewing your items of income and deduction one should also factor in the 3.8% net investment income tax, alternative minimum tax (AMT), the receipt of taxable unemployment benefits, the receipt of payroll protection loans and COVID-19 distributions from IRAs and 401(k) plans, any of which can impact your 2020 taxes.

With the $10,000 SALT cap (limitation on state tax deductions) in place, the acceleration of the fourth estimated state income tax payment into December 2020 to increase the current year SALT deduction may be less important as you may have already exceeded it. However, accelerating or deferring the state payment may make a difference in being able to claim a higher itemized deduction versus the standard deduction, so the timing of the payment still should be considered.

Income shifting. Individuals and businesses alike can benefit from the classic strategy of shifting taxable income and accelerating or deferring deductions between 2020 and 2021 by controlling the receipt of income and payment of expenses. Taxpayers expecting to be in the same or lower tax bracket in 2021 should consider deferring income until next year and accelerating deductible expenses in 2020. Alternatively, if a substantial increase in income is anticipated in 2021 (propelling the taxpayer into a higher tax bracket), income should be accelerated in 2020 and deductions deferred until next year. Such things as delaying billings, investing in CD's deferring next year and deferring sales of securities and bonuses may be beneficial which should be considered.

If self-employed it could be disadvantageous to accelerate income, even if the individual will be in a higher bracket in 2021, if the acceleration causes the individual to cross a threshold that would result in an offsetting reduction in the 199A qualified business income deduction. The 199A deduction phase-out thresholds for 2020 are $326,600 for joint filers and $163,300 for all other taxpayers.

Capital losses. The end of the year is the right time to examine your investments (winners and losers over the course of the year) to take the steps necessary to minimize your capital gains income and maximize the benefit of any capital losses. Your portfolio's records for the entire year can make a difference in not only what you might buy or sell in November and December but what estimated tax you will need to pay (or not pay) for the fourth quarter of 2020.

Long-term capital losses can be used to fully offset long-term capital gains. Losses taken in excess of gains can also be used to offset up to $3,000 in ordinary income (or $1,500 for an individual or a married couple filing separately). Short-term losses can be used to offset short-term gains that are otherwise taxable at your ordinary income tax rate (which can reach as high as 37% percent). Excess capital losses incurred by individuals may only be carried forward.

An additional 3.8% tax is levied on the lesser of net investment income (which includes gross income from interest, dividends, capital gains, etc.) or the amount by which modified AGI exceeds certain dollar amounts ($250,000 for joint returns and $200,000 for single filers).

Retirement planning. Year-end planning for 2020 also involves maximizing annual contributions to your retirement plan accounts, since one year's limit cannot be added to the next year's limit, if not taken in time. While contributions to IRAs may be applied retroactively if made before the filing deadline, an individual's elective deferral contribution made as an employee to a qualified plan must be made before the end of the calendar year. If the maximum §401(k) contribution for 2020 was not selected, a taxpayer may be able to increase contributions for the remainder of 2020 to lower AGI in order to take advantage of some of the tax breaks described below. Additionally, many qualified plans (non IRA type plans) must be established and in place by year end for contributions to them after year end to be deductible. We can assist you in determining what type of plan may be appropriate for you if you currently do not have one.

Maximizing contributions to your retirement plan (or plans) before year end also allows you to reduce your adjusted gross income in direct proportion to those contributions. This in turn can give you the benefit of increasing the deductibility of medical and other deductions subject to adjusted gross income floors. Certain plans such as SEP-IRA's and 401(k) plans also allow catch up contributions to be made if you are 50 years or older in the current year. In light of the uncertainty in the market turmoil and increased life expectancies, additional retirement savings may also be warranted regardless of tax savings.

Managing a tax-deferred retirement account is not a "set it and forget it" proposition. Although sheltered from tax, a 401(k) or other defined contribution plan also requires careful management of the performance of those investments and re-allocation of assets whenever appropriate. Unfortunately, losses on any 401(k) plan are not tax deductible; nor can they offset capital gains in non-tax sheltered accounts.

For taxpayers that are over age 59 1/2 that participate in an employer retirement plan or have an IRA, consider taking any taxable withdrawals before 2021. Taxpayers also may also want to consider making a Roth IRA rollover distribution, as discussed below. A special provision gives taxpayers the ability to distribute tax-free to charity up to $100,000 from a traditional or Roth IRA maintained for an individual who has reached age 70 1/2.

Traditional IRAs: Individuals who are not active participants in an employer pension plan may make deductible contributions to an IRA. The deadline for 2020 contributions is April 15, 2021. The annual deductible contribution limit for an IRA for 2020 is $6,000. A $1,000 "catch-up" contribution is allowed for taxpayers age 50 or older by the close of 2020, making the total limit $7,000 for these individuals. Individuals who are active participants in an employer pension plan also may make deductible contributions to an IRA, but their contributions are limited in amount depending on their AGI. For 2020, the AGI phase-out range for deductibility of IRA contributions is between $65,000 and $75,000 of modified AGI for single persons (including heads of households), and between $104,000 and $124,000 of modified AGI for married filing jointly. Above these ranges, no deduction is allowed.

In addition, an individual will not be considered an "active participant" in an employer plan simply because the individual's spouse is an active participant for part of a plan year. The taxpayer may be able to take the full deduction for an IRA contribution regardless of whether their spouse is covered by a plan at work, subject to a phase-out if their joint modified AGI is $196,000 to $206,000 ($0 – $10,000 if married filing separately) for 2020. Above this range, no deduction is allowed.

IRA Rollovers: For 2020, taxpayers may make only one IRA-to-IRA rollover per year. (Direct trustee to trustee rollovers are not affected.) A second attempted rollover will be treated as a withdrawal and taxed at regular rates, plus a possible 10% early withdrawal penalty.

Spousal IRA: If an individual files a joint return and has less compensation than his or her spouse, the IRA contribution is limited to the lesser of $6,000 for 2020 plus age 50 catch-up contributions ($1,000 for 2020), or the total compensation of both spouses reduced by the other spouse's IRA contributions (traditional and Roth).

Roth IRA: This type of IRA permits nondeductible contributions of up to $6,000 ($7,000 if making eligible catch-up contribution) for 2020, but no more than an individual's compensation. Earnings grow tax-free, and distributions are tax-free provided no distributions are made until more than five years after the first contribution and the individual has reached age 59 1/2. Distributions may be made earlier on account of the individual's disability or death. The maximum contribution is phased out in 2020 for persons with an AGI above $196,000 to $206,000 for those taxpayers that are married filing jointly, $124,000 to $139,000 for single taxpayers (including heads of households), and between $0 and $10,000 for married filing separately who lived with the spouse during the year. A Roth IRA must be established by April 15, 2021, and funded for a 2020 contribution.

Roth IRA Conversion Rule: Funds in a traditional IRA (including SEPs and SIMPLE IRAs), §401(a) qualified retirement plan, §403(b) tax-sheltered annuity, or §457 government plan may be rolled over into a Roth IRA. Such a rollover, however, is treated as a taxable event, and the taxpayer will pay tax on the amount converted. No penalties will apply if all the requirements for such a transfer are satisfied.

Section 401(K) Contribution: The §401(k) elective deferral limit is $19,000 for 2020. If the taxpayer's §401(k) plan has been amended to allow for catch-up contributions for 2020 and the taxpayer reaches age 50 by December 31, 2020, an additional $6,000 may be contributed to the §401(k) account, for a total maximum contribution of $25,000 ($19,000 in regular contributions plus $6,000 in catch-up contributions).

SIMPLE Plan Contribution: The SIMPLE plan deferral limit is $19,500 for 2020. If the taxpayer's SIMPLE plan has been amended to allow for catch-up contributions for 2020 and the taxpayer will be 50 years old by December 31, 2020, an additional $6,500 may be contributed.

Catch-Up Contributions for Other Plans: If the taxpayer will be 50 years old by December 31, 2020, an additional $6,500 can be contributed to a §403(b) plan, SEP, or eligible §457 government plan.

Required Minimum Distributions: The Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, waives required minimum distributions during 2020 for IRAs and retirement plans, including beneficiaries with inherited accounts. This waiver includes RMDs for individuals who turned age 70 ½ in 2019 and took their first RMD in 2020.

2020 also presents a special opportunity for taxpayers to take distributions from §401k plans and IRAs due to COVID-19. If the taxpayer meets certain requirements, “coronavirus-related distributions” up to an aggregate limit of $100,000 from all plans and IRAs:

- Are included in taxable income over a three-year period, one-third each year, beginning in the year you receive the distribution, or, if elected, in the year you receive the distribution.

- Are not subject to the 10% additional tax on early distributions (including the 25% additional tax on certain SIMPLE IRA distributions) that may otherwise apply to most withdrawals before age 59 1/2.

- Are not subject to mandatory tax withholding, and

- May be repaid to an IRA or workplace retirement plan within three years, if eligible for tax-free rollover treatment.

To be eligible for COVID-19 relief, coronavirus-related withdrawals or loans can only be made to an individual if:

- The individual (or the individual's spouse or dependent) is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (collectively, COVID-19) by a test approved by the CDC (including a test authorized under the Federal Food, Drug, and Cosmetics Act);

- The individual experiences adverse financial consequences as a result of: (1) the individual being quarantined, being furloughed or laid off, having work hours reduced, being unable to work due to lack of childcare, having a reduction in pay (or self-employment income), or having a job offer rescinded or start date for a job delayed, due to COVID-19; (2) the individual's spouse or a member of the individual's household (that is, someone who shares the individual's principal residence) being quarantined, being furloughed or laid off, having work hours reduced, being unable to work due to lack of childcare, having a reduction in pay (or self-employment income), or having a job offer rescinded or start date for a job delayed, due to COVID-19; or (3) closing or reducing hours of a business owned or operated by the individual, the individual's spouse, or a member of the individual's household, due to COVID-19.

Note that you may re-contribute all or part of certain coronavirus-related distributions to an eligible retirement plan (including an IRA) within three years beginning on the day after the date you received the distribution. Repayments will be treated as though they were eligible direct rollovers. Amounts repaid are not subject to any contribution or rollover limits.

Itemized Deduction Planning. Deduction timing is an important element of year-end tax planning. However, deduction planning is complex, due to factors such as AGI levels, AMT, filing status, and the increased standard deduction. An expense is only deductible in the year in which it is actually paid. Under this rule, if the taxpayer's tax rate is going to increase in 2021, it is a good strategy to postpone spending until after 2020 to take the deduction in 2021.

Standard Deduction versus Itemized Deduction Planning: Deduction planning is also affected by the standard deduction. As noted earlier, for 2020 returns, the standard deduction is $12,400 for single filers and married couples filing separately, $24,800 for married couples filing jointly and surviving spouses, and $18,650 for head of household. As can be seen from the numbers, for 2020, the standard deduction for married taxpayers is twice the amount as that for single taxpayers. If itemized deductions are relatively constant and are close to the standard deduction amount, little or no benefit will be gained from itemizing deductions each year. But simply taking the standard deduction each year means the loss of the benefit of itemized deductions that exceed the standard deduction. To maximize the benefits of both the standard deduction and itemized deductions, consider adjusting the timing of deductible expenses, i.e., “bunching,” so that they are higher in one year and lower the following year. This can be accomplished by paying deductible expenses in 2020, such as mortgage interest due in January 2021, state estimated tax payments due in early 2021, or doubling up on charitable contributions every other year.

Medical Expenses: For 2020, medical expenses, including amounts paid as health insurance premiums, are deductible only to the extent that they exceed 10% of AGI for all taxpayers. Bunching medical expenses in one calendar year can help maximize the allowable deduction.

State and Local Income Taxes and General Sales Taxes (SALT): If the taxpayer anticipates a state income tax liability for 2020 and plans to make an estimated payment typically due in January 2021, consider making the payment before the end of 2020. Taxpayers may elect to itemize and deduct state and local general sales taxes in lieu of the itemized deduction for state and local income taxes. In either case, the

$10,000 ($5,000 if married filing separate) SALT limitation may significantly impact this type of deduction planning.

Charitable Contributions: For 2020, two special rules apply to charitable contributions. First, for taxpayers that do not itemize deductions, a $300 above-the-line deduction in addition to the standard deduction is available, but only for cash gifts to public charities. For taxpayers that itemize deductions, the general 60% of AGI deduction limit for cash gifts to public charities has been increased to 100% of AGI, i.e., there is no limit for 2020.

Consider making charitable contributions by the end of 2020 using a credit card if the bill will not have to be paid until 2021. A mere pledge to make a donation is not deductible, however, unless it is paid by the end of the year.

Benefits for Taxpayers with Children. There are several valuable deductions and credits available for parents with children, as outlined below.

Child Tax Credit: A tax credit of $2,000 per qualifying child under the age of 17 is available for 2020, but a child must qualify as a dependent of the taxpayer, and the qualifying child must be younger than the taxpayer. The credit phases out at a rate of $50 for each $1,000 (or fraction of $1,000) of modified AGI exceeding the following amounts: $400,000 for married filing jointly, and $200,000 for all other taxpayers. A portion of the credit is refundable, up to $1,400 in 2020. A $500 nonrefundable credit for dependents other than qualifying children also is available in 2020. There is no age limit, but the dependency test must be satisfied.

Credit for Adoption Expenses: For 2020, the adoption credit limitation is $14,300 of aggregate expenditures for each child, except that the credit for an adoption of a child with special needs is deemed to be $14,300 regardless of the amount of expenses. The credit phases out ratably for taxpayers whose income is between $214,520 and $254,520.

Education Credits: The American Opportunity Tax Credit (AOTC) is available for qualified tuition and fees paid on behalf of a student (i.e., the taxpayer, the taxpayer's spouse, or a dependent) who is enrolled on at least a half-time basis. The maximum credit is $2,500 (100% on the first $2,000, plus 25% of the next $2,000). The credit is available for the first four years of the student's post-secondary education. The credit is phased out at modified AGI levels between $160,000 and $180,000 for joint filers, and between $80,000 and $90,000 for other taxpayers. Forty percent of the credit is refundable, which means that a taxpayer can receive up to $1,000 even if no taxes are owed.

“Qualified tuition and related expenses” include expenditures for “course materials” (i.e., books, supplies, and equipment needed for a course of study whether or not the materials are purchased from the educational institution as a condition of enrollment or attendance). One way to take advantage of the AOTC for 2020 is to prepay spring 2021 tuition. In addition, if it is known what books the student will need for the spring 2021 semester, those can be bought in 2020 and the costs qualify for the credit for 2020.

The Lifetime Learning Credit (LLC): The credit is available for qualified tuition and related expenses paid for eligible students enrolled in an eligible educational institution. This credit can help pay for undergraduate, graduate and professional degree courses — including courses to acquire or improve job skills. There is no limit on the number of years you can claim the credit. For 2020, the maximum credit is $2,000 (20% of qualified tuition and fees up to $10,000). A student need not be enrolled on at least a half-time basis so long as he or she is taking post-secondary classes to acquire or improve job skills. As with the AOTC, eligible students include the taxpayer, the taxpayer's spouse, or a dependent. For 2020, the LLC begins to phase out at modified AGI levels of $59,000 for single taxpayers and $118,000 for joint filers. The LLC is not a refundable credit.

Coverdell Education Savings Account: The aggregate annual contribution limit to a Coverdell education savings account is $2,000 per designated beneficiary of the account. The limit is phased out for individual contributors with modified AGI between $95,000 and $110,000 and joint filers with modified AGI between $190,000 and $220,000. The AGI amounts are not indexed for inflation. The contributions to the account are nondeductible but the earnings grow tax-free. Coverdell account holdings can be distributed tax-free if used for qualifying expenses (higher education expenses, along with elementary and secondary education expenses).

Taxpayers may be eligible for an above-the-line deduction for student loan interest paid on any "qualified education loan." The maximum deduction is $2,500. The deduction for 2020 is phased out at a modified AGI level between $140,000 and $170,000 for joint filers, and between $70,000 and $85,000 for individual taxpayers.

Kiddie Tax: For 2020, the amount that is used to reduce the net unearned income reported on the child's return that is subject to the "kiddie tax," is $1,100. The same $1,100 amount is used to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the "kiddie tax". For example, one of the requirements for the parental election is that a child's gross income is more than $1,100 but less than $11,000. The kiddie tax applies to: (1) children under 18 who do not file a joint return; (2) 18-year-old children who have unearned income in excess of the threshold amount, do not file a joint return, and who have earned income, if any, that does not exceed one-half of the amount of the child's support; and (3) children between the ages of 19 and 23 if, in addition to the above rules, they are full-time students.

Residential energy property. Tax incentives are available to taxpayers who install certain energy efficient property, such as photovoltaic panels and solar water heating property. A credit is available for the expenditures incurred for such property up to a specific percentage of the cost.

Health Care Flexible Spending Accounts. For 2020, cafeteria plans can provide that employees may elect no more than $2,750 in salary reduction contributions to a health FSA. Typically, employers require the following year's election to be set prior to the end of the year. To estimate the best amount to contribute, taxpayers need to identify potential medical expenses.

Health Savings Accounts. A health savings account (HSA) is a trust or custodial account exclusively created for the benefit of the account holder and his or her spouse and dependents, and is subject to rules similar to those applicable to individual retirement arrangements (IRAs). Contributions to an HSA are deductible, within limits. For 2020, the annual limitation on deductions for an individual with self-only coverage under a high deductible health plan is $3,550; for an individual with family coverage under a high deductible health plan is $7,100. For 2020, a "high deductible health plan" is a health plan with an annual deductible that is not less than $1,400 for self-only coverage or $2,800 for family coverage, and the annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) do not exceed $6,900 for self-only coverage or $13,800 for family coverage. In computing the annual HSA contribution amount, an individual who is eligible during the last month of a taxable year (December) is treated as having been eligible for all prior months during the taxable year and, thus, is allowed to make contributions for months before the individual was enrolled in a high deductible health plan.

Alternative Minimum Tax. The 2017 tax act significantly increased AMT exemption amounts and raised phase-out thresholds for these exemptions, such that the AMT will impact fewer taxpayers. For 2020, the AMT exemption amounts are $113,400 for joint returns or surviving spouses; $72,900 for unmarried individuals; and $56,700 for married filing separately. The exemption phase-out range for 2020 begins at $518,400 for unmarried individuals and $1,036,800 for married filing joint. Also, for 2020, nonrefundable personal credits can offset an individual's regular and alternative minimum tax, and capital gains will be taxed at lower favorable rates for AMT. For 2020, the amount of AMTI above which the 28% rate applies is $197,800 for married individuals filing joint returns and $98,950, for other taxpayers.

If a taxpayer has stock holding due to the exercise of an incentive stock option (ISO) during 2020 that is now below the value at the exercise date (i.e., “underwater”), consider selling the shares before the end of the year to avoid the AMT tax due on the original exercise of the option. Some of the standard year-end planning ideas will not reduce tax liability if the taxpayer is subject to the AMT because different rules apply. For example, state income and property tax deductions are disallowed in calculating AMT.

Business losses. Business loss deductions can be taken for bad debts, losses on the sale of business assets and net operating losses. Under the CARES Act, passed in March 2020, an NOL carryover from years ending after December 31, 2017, and before January 1, 2021 may now be carried back five-years, or carried forward indefinitely. This indefinite carryforward period includes the 2018-2020 NOLs that remain after the five-year carryback period. The 2017 tax reform legislation known as the Tax Cuts and Jobs Act of 2017 (TCJA) limited NOLs to 80% of taxable income in any one tax period. The CARES Act removed this 80% limit for taxable years beginning before 2021 to allow an NOL carryforward to fully offset an organization’s income.

Bonus depreciation. Property placed in service in 2020, including used property, may be eligible for 100% bonus depreciation deduction (separate from 179 expensing). Taxpayers engaged in a business may want to consider accelerating the placing in service of property, or the decision to purchase assets for use in the business, in order to take advantage of this deduction.

Section 179. If the taxpayer is in business and purchases equipment, he/she may depreciate such equipment or make a 179 election, which allows the taxpayer to expense otherwise depreciable business property. For 2020 the allowable deduction is $1,040,000 (with a phase-out beginning once total expenditures exceed $2,590,000). Certain improvements to nonresidential real property (roofs, heating, ventilation, air-conditioning property, fire protection and alarm systems, and security systems), that may not be eligible for bonus depreciation are eligible under 179. Generally, bonus depreciation is preferable over Section 179 depreciation if one wants to maximize depreciation deductions.

Home Office Deductions. Expenses attributable to using the home office as a business office are deductible if the home office is used regularly and exclusively: (1) as a taxpayer's principal place of business for any trade or business; (2) as a place where patients, clients, or customers regularly meet or deal with the taxpayer in the normal course of business; or (3) in the case of a separate structure not attached to the residence, in connection with a trade or business. If a taxpayer uses part of the home as a business office, determining the amount of any deduction available can be tricky, but an IRS-provided safe harbor could be used to minimize audit risk. The home office deduction unfortunately is not available for employees (W-2 wage earners), even if required to work from home during the pandemic.

S***elf-Employed Health Insurance Premiums.*** Self-employed individuals are allowed to claim 100% of the amount paid during the taxable year for insurance that constitutes medical care for themselves, their spouses, and their dependents as an above-the-line deduction, without regard to the general 10% of AGI floor.

Gift-giving. Slow and steady estate planning can yield dramatic results. Nowhere is that more apparent than devising an annual gift giving plan to family members. Before year-end 2020, you can transfer up to $15,000 per person, per year, without paying gift tax on the amounts transferred. Married couples can gift $30,000 per person by "splitting" their gifts. In 2021, the annual exclusion remains to $15,000 ($30,000 for couples). This strategy not only avoids the possibility of paying an estate tax later, but it removes earnings from those gifts from your taxable income bracket into that of the lower-bracket gift recipient. Also keep in mind that the increased lifetime estate (GST) and gift tax exemption (currently $11,580,000) expires at the end of 2025 and could be legislatively changed before that. Gifts made prior to 2026, or a sooner legislatively changed date, that exceed the pre-2018 exemption amount (adjusted for inflation of $6,000,000) will however continue to escape future estate taxation and should be considered if appropriate. It is also unlikely we will see any significant changes in the estate planning area with a divided congress.

Life events. A birth of a child, a marriage, divorce, death, new job, loss of a job, new home, foreclosed home, and other "major life changes" also typically have significant tax implications. Many of the applicable tax rules are tied to the calendar year in which they occur.

Tax Projections. Because of the complexity of the tax law, understanding what planning provisions to incorporate into your year-end tax planning strategy can be a daunting task. While this letter hopefully gives you a heads-up on at least several tax opportunities on which you might follow through before year end, there are other techniques that can be used depending upon your individual circumstances. Through our experience in year-end tax planning and our tax projection software we can efficiently evaluate your estimated year-end tax results under one or multiple scenarios to assure that you take advantage of options that are available, know the expected results in advance and can plan for them. For a detailed plan that can be customized to your particular circumstances, please don't hesitate to give our office a call.

Very truly yours,

Dakota Wealth Management

Dakota Wealth Management