



J. WALKER & COMPANY, APC  
ACCOUNTANTS AND ADVISORS

# EYE ON MONEY

JUL  
AUG  
2021



## How to Make the Most of Your **Charitable Contributions**

**Tips to help manage your charitable giving  
and maximize your tax deduction!**

*plus*

**TAX CREDITS  
FOR GOING GREEN**

**A FEW THINGS  
TO KNOW ABOUT  
THE GIFT TAX**

**SHOULD YOU  
ACCEPT AN EARLY  
RETIREMENT OR  
BUYOUT OFFER?**

## Financial Tasks You Can Tackle In Under 30 Minutes Each

- 1 Review your Social Security Statement.** If you earn an income from working, it's a good idea to review your statement every year to make certain that your earnings from the prior year have been properly recorded. You can review your statement online by creating a "my Social Security" account on the Social Security Administration's website, [www.ssa.gov](http://www.ssa.gov). While you are there, you can also check out an estimate of how much you may receive in benefits when you retire.
- 2 Review the beneficiary designations on your financial accounts.** Every year or so, review the beneficiary designations on your checking, savings, investment, and retirement accounts to ensure that they reflect your current thoughts on who should inherit those accounts. ■



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## A FEW THINGS TO KNOW ABOUT THE Federal Gift Tax

### **The gift tax is a tax on assets that are given away during the donor's lifetime.**

In contrast, the estate tax is a tax on assets that are transferred to heirs after the owner's death.

**You can give any number of people up to \$15,000 each per year without your gift being taxable**, thanks to the annual gift tax exclusion (\$15,000 in 2021). Married couples can combine their exclusions and give any number of people up to \$30,000 each per year.

**You can give your spouse an unlimited amount without any gift tax**, as long as your spouse is a U.S. citizen. If your spouse is not a U.S. citizen, you can give up to \$159,000 per year to your spouse without your gifts being taxable. (\$159,000 is the exclusion amount for 2021.)

### **Most people will never have to pay any gift tax—or federal estate tax either.**

That's because, in addition to the annual gift tax exclusion, you also have a lifetime exclusion for federal gift and estate taxes. It is set at \$11.7 million for 2021. This means that you can currently give away up to \$11.7 million during or after your lifetime without having to pay any federal gift or estate tax on it. Married couples can use both of their exclusions to jointly shelter up to \$23.4 million from those taxes.

**The lifetime exclusion is scheduled to decrease to \$5 million, adjusted for inflation, after 2025** unless Congress changes the law in the interim. And

there is a chance that Congress may reduce the lifetime exclusion sooner than is currently planned. Wealthy individuals may want to use their exclusion to make tax-free gifts to their heirs now in case the exclusion amount decreases in the future. Please consult your estate planning professional for advice.

**Making large gifts now will not harm estates after 2025**, so says the IRS to wealthy individuals who want to take advantage of the high lifetime exclusion now to reduce the size of their taxable estates before the exclusion potentially decreases.

**If you give someone other than your spouse more than \$15,000 in 2021, you will probably have to file a gift tax return**, even if you do not owe any gift tax.

**Some gifts are not subject to gift tax** and do not need to be reported on a gift tax return. Those gifts generally include:

- ▶ Gifts to charities.
- ▶ Gifts to a political organization for its use.
- ▶ Tuition payments that you make directly to a qualifying educational organization. This exclusion only applies to tuition, not to room and board, books, supplies, or other education expenses, although you may apply the \$15,000 annual exclusion to those expenses.
- ▶ Medical expenses that you pay directly to a care provider for an individual's medical care. In addition to medical care, this exclusion applies to medical insurance that you pay for someone else, provided those payments are made directly to the insurance provider. ■



**PLEASE SEEK ADVICE FROM YOUR ESTATE PLANNING AND TAX PROFESSIONALS.**



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## Investing in REITs

REITs, or real estate investment trusts, offer you a way to tap into the income potential of real estate and diversify your portfolio. Here are a few things to know about this type of investment.

### WHAT THEY ARE

REITs are companies that usually own and manage income-producing real estate, such as office buildings, shopping centers, apartment complexes, warehouses and distribution centers, data centers, and self-storage facilities.

Most REITs specialize in just one type of property, but some own a mix of property types. REITs that own and manage property receive most of their income from rents and are known as equity REITs, or diversified equity REITs if they own more than one property type.

There is another type of REIT known as a mortgage REIT that finances real estate and usually focuses on acquiring, originating, investing in, and managing real estate loans and mortgage-backed securities.

### WHY INVEST IN REITs

One reason why investors choose REITs is for their income potential. REITs are required to distribute at least 90% of their taxable income each year to their shareholders. As a result, they tend to pay higher dividend yields than some other types of companies. Keep in mind, however, that dividends are not guaranteed and will fluctuate in value.

Another reason why investors choose REITs is that they may help diversify a portfolio. REITs sometimes react differently than stocks and bonds to market conditions so adding them to a portfolio of stocks and bonds may help diversify the portfolio and reduce its overall volatility.

### HOW TO INVEST IN REITs

You can invest in REITs in a few ways. One way is to buy shares of a publicly traded REIT just as you would any other stock. Or you can buy shares of a mutual fund or ETF that focuses on REITs. Non-publicly traded REITs may be an option, but be aware that they involve special risks, such as lack of liquidity. ■

### PLEASE CONSULT YOUR FINANCIAL PROFESSIONAL FOR INVESTMENT ADVICE.

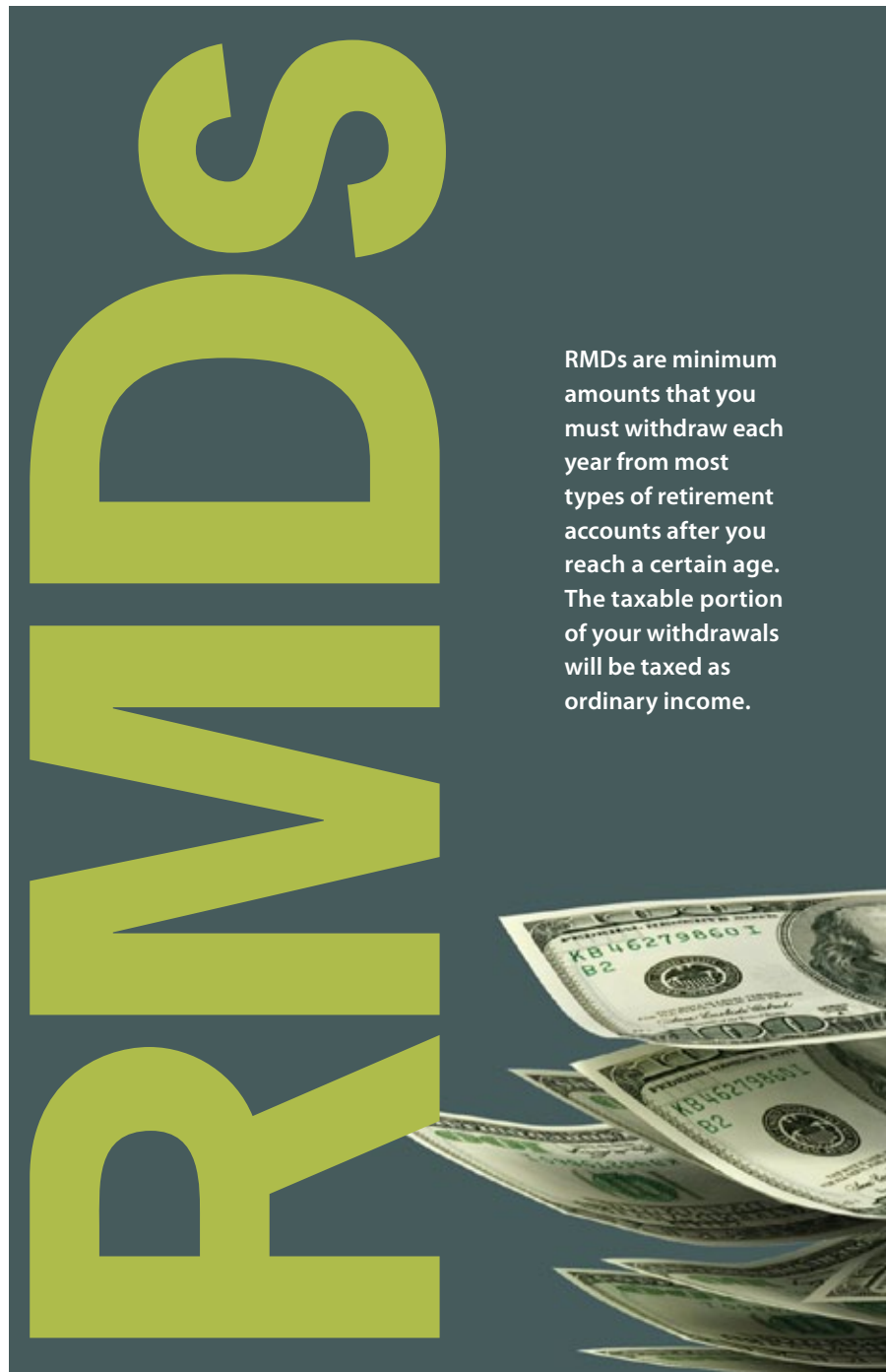
*Please note: Investing in REITs involves special risks, such as possible lack of liquidity and potential adverse economic and regulatory changes. For this reason, there are minimum suitability standards that must be met. Please ensure you read the prospectus carefully before investing. In addition, an investment in real estate will fluctuate with the value of the underlying properties, and the price at redemption may be more or less than the original price paid.*

*Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial professional for a prospectus containing this information. Please read it carefully before investing.*

*Diversification does not ensure a profit or protect against loss in declining markets.*

## 5 Things You May Not Know About RMDs

Required minimum distributions (RMDs) were waived for 2020, but are back for 2021. Here are a few things you may not know about them. Your tax and financial professionals can tell you more.



### 1 The starting age for RMDs is 72 for retirement account owners.

The age was increased in 2019 to 72 (from 70½) for people born after June 30, 1949.

### 2 You may be able to delay the start from a non-IRA retirement plan

if you are still working for the company that sponsors the plan, the plan permits the delay, and you do not own 5% or more of the company.

### 3 The RMD deadline is December 31—unless you turned 72 this year.

If you are the account owner, you have the option to take your first RMD as late as April 1 of the year following the year you reach age 72. But keep in mind, that if you wait until the following year to take your first RMD, you will have to take two RMDs that year—one by April 1 for the prior year and one by December 31 for the current year—which may push you into a higher tax bracket.

### 4 RMDs are not required from Roth IRAs during the account owner's lifetime.

However, they are required from Roth 401(k), Roth 403(b), and Roth 457(b) accounts. You may want to consider transferring the savings in those accounts to a Roth IRA at some point in order to avoid RMDs.

### 5 You can donate the RMD from your IRA to charity and avoid the taxes.

As long as you are age 70½ or older, you can generally have up to \$100,000 per year distributed tax-free from your IRA directly to qualified charities. The charitable distribution counts toward your RMD for the year and is generally not taxable to you. ■

*Please note that this article pertains to the RMD rules for account owners. The RMD rules for beneficiaries are different. Also, this article reflects the RMD rules in place on May 1, 2021. Washington may change the rules in the future.*

# How to Make the Most of Your Charitable Contributions

Before contributing to charity, it's a good idea to consider whether you are making the most of your charitable contributions. Here are a few tips that may help you maximize your tax breaks for supporting your favorite charities and manage your charitable giving. Your tax and financial professionals can help you determine the strategies that may be appropriate for you.

## **Research the charitable organization first.**

Making smart choices about charitable giving starts with researching the organization you want to support. And a good place to start your research is with the organization's annual report.

Many charities include the prior year's annual report on their website. In it, you'll typically find a snapshot of what the charity accomplished in the past year and some financial information about where the charity's funding came from and what it was spent on. Reviewing the report can help give you a clearer idea of the types of programs your donation may support and the impact it may have.

It's also a good idea to check out what the charity evaluators and watchdogs have to say about the charitable organizations you are considering supporting.

The BBB Wise Giving Alliance offers reports that focus on a charity's trustworthiness. Their reports will tell you whether a charity is meeting the BBB standards in governance, results reporting, finances, and truthful and transparent communications. They can be accessed for free at [www.give.org](http://www.give.org).

Charity Navigator evaluates the financial health, accountability, and transparency of charities. Their ratings are designed to give you an idea of how efficiently a charity will use your donations and their level of commitment to accountability and transparency. To learn how a charity you are interested in supporting is rated, visit [www.charitynavigator.org](http://www.charitynavigator.org). Their reports are free.

CharityWatch provides letter grade ratings and financial information on more than 600 major American charities to give you a clear picture of how well a charity may spend your donations. Reports on top-rated charities can be accessed for free at [www.charitywatch.org](http://www.charitywatch.org). A \$50 annual membership grants you access to reports on all of the charities that CharityWatch has reviewed.

## **Find out if the organization is qualified to receive deductible contributions.**

For your contributions to be tax deductible, they must be made to a qualified organization. Qualified organizations typically include churches, synagogues and other religious organizations, nonprofit schools and hospitals, and charities, such as the American Red Cross, the United Way, and Goodwill Industries.

If in doubt, ask the organization that you are interested in supporting. They can generally tell you if they are a qualified organization. You can also check the organization's eligibility to receive tax-deductible charitable contributions using the Tax Exempt Organization Search Tool located on the IRS's website at [www.irs.gov/TEOS](http://www.irs.gov/TEOS).

Contributions to some types of nonprofit organizations are not deductible. Organizations that are not qualified to receive tax-deductible contributions include civic leagues, social and sports clubs, chambers of commerce, and political groups, to name a few. They also typically include foreign organizations,

with the exception of certain Canadian, Mexican, and Israeli charities.

## **Find out if you're eligible to deduct contributions.**

Once you've determined that an organization is qualified to receive tax-deductible contributions, it's time to find out whether you are eligible to deduct them. Normally, only individuals who itemize deductions on their federal tax return can deduct their charitable contributions. But Washington changed that rule for 2020 and 2021, allowing people who claim the standard deduction to deduct up to a certain amount of the cash contributions they make in those years.

The limit on how much you can deduct varies depending on the year the contribution is made. For 2020, taxpayers who claim the standard deduction can deduct up to \$300 of the cash contributions they make that year. (The limit for married couples who file separately is \$150.) For 2021, married couples who file jointly can deduct up to \$600 and other taxpayers can deduct up to \$300 of the cash contributions they make that year.

## **Deduct more of your charitable contributions by itemizing deductions.**

On your federal income tax return, you either claim the standard deduction or you itemize deductions. The standard deduction is a specific dollar amount based on your tax filing status and whether you are age 65 or older and/or blind. Itemized deductions are based on the actual



### SPECIAL CHARITABLE TAX DEDUCTION RULES FOR 2020 AND 2021.

In an effort to encourage charitable contributions during the pandemic, Washington temporarily changed the rules regarding how much of your charitable contributions you can deduct. (These temporary rules do not apply to contributions to donor-advised funds and supporting organizations.)

#### IF YOU TAKE THE STANDARD DEDUCTION

**2020:** You can generally deduct up to \$300 of your 2020 cash contributions to qualified charitable organizations. (The limit for married couples who file separately is \$150.)

**2021:** Married couples who file jointly can deduct up to \$600 of their 2021 cash contributions. Other taxpayers can deduct up to \$300 of their 2021 cash contributions.

*Normally, taxpayers who take the standard deduction cannot deduct any of their charitable contributions.*

#### IF YOU ITEMIZE DEDUCTIONS

**2020 and 2021:** The AGI limit on the cash contributions you make in 2020 and 2021 is suspended, enabling you to deduct cash contributions up to 100% of your adjusted gross income (AGI).

*Normally, the deduction for cash contributions cannot exceed 60% of your AGI.*



### AN ALTERNATE TAX BREAK FOR IRA OWNERS OVER AGE 70½.

If you are over age 70½, you can make tax-free charitable distributions of up to \$100,000 per year from your traditional IRA to qualified charitable organizations.

In addition to generally being tax-free, your qualified charitable distributions can satisfy all or part of your traditional IRA's required minimum distribution (RMD) for the year. For example, if your RMD for the year is \$20,000 and you make an \$8,000 qualified charitable distribution that year, you only have to withdraw \$12,000 from your traditional IRA to satisfy your RMD. Although the \$12,000 you withdraw will be subject to income tax (as RMDs normally are), you generally avoid the tax on the \$8,000 that was distributed to charity.<sup>1</sup>

Keep in mind that qualified charitable distributions are not tax-deductible. But if you claim the standard deduction and cannot deduct more than a few hundred dollars of your cash contributions in 2020 or 2021 anyway, charitable distributions can be a great way to get a tax break for supporting your favorite charities. Just be sure to have the funds paid by the IRA trustee directly to your chosen charity.

*1. Part of your qualified charitable distribution may be taxable if you make deductible contributions to an IRA after age 70½.*



amounts you spend during the year on certain expenses, such as real estate taxes, mortgage interest, and charitable contributions.

In a typical year, you can only deduct your charitable contributions if you itemize deductions. But as mentioned earlier, 2020 and 2021 are not typical years because individuals who claim the standard deduction can deduct up to a few hundred dollars of the cash contributions they make in those years. To deduct larger cash contributions or your noncash contributions, you'll have to itemize deductions.

However, it generally only makes sense to itemize deductions if your itemized deductions, including your charitable contributions, are greater than your standard deduction. If your standard deduction is greater, your federal income tax will generally be less if you claim the standard deduction.

For 2021, the standard deduction amount is \$25,100 for married taxpayers who file jointly, \$18,800 for heads of households, and \$12,550 for unmarried individuals and married individuals who file separately. An additional deduction of \$1,350 is available for individuals who are age 65 or older or who are blind.

If your itemized deductions exceed your standard deduction, itemizing your deductions is generally the way to go.

Keep in mind that there are limits on the amount of charitable contributions you can deduct in one year. The limits vary depending on the type of property you donate and the type of organization you donate it to. If your contributions for the year exceed the limits, you can carry over the excess and deduct it over the next five years (fifteen years for a qualified conservation contribution).

To encourage individuals to give more during the pandemic, Washington suspended the limit on cash contributions made in 2020 and 2021, enabling you to deduct cash contributions of up to 100% of your adjusted gross income. Normally,

your deduction for a cash contribution cannot be greater than 60% of your adjusted gross income. (The temporary suspension of the limit does not apply to contributions to donor-advised funds and supporting organizations.)



#### **Consider bunching your contributions in order to itemize deductions.**

If your itemized deductions are just under your standard deduction amount, you may want to use a strategy known as bunching to secure a larger deduction.

Bunching is simply increasing the amount you donate in one year in order to boost your itemized deductions over your standard deduction amount so that you can claim a larger deduction that year.

Here's an example of how this might work in 2021. Let's say that you and your spouse normally donate \$13,000 a year, but even after your other \$5,000 of itemized deductions are added in, you are still under the \$25,100 standard deduction for married couples who file jointly. You could simply take the standard deduction and deduct up to \$600 of your cash contributions, for a total deduction of \$25,700. Or you could donate, let's say, \$26,000 this year—twice your normal amount—and then skip making donations next year. Your itemized deductions for this year would then total \$31,000—\$5,300 more than if you had not bunched your contributions and itemized your deductions. Then next year, when you are not making charitable contributions, you simply take the standard deduction.

#### **Time your contributions.**

If you plan to make a sizable contribution to charity and expect to be in a higher tax bracket in one of the next few years, you may want to wait until that year to make the contribution. Why's that? Because the higher your tax bracket, the greater your potential tax savings from a charitable deduction.

Remember, tax deductions reduce the amount of income you are taxed on. For example, a \$10,000 contribution will generally reduce your taxable income by \$10,000, assuming you itemize deductions. It's your tax bracket, however, that determines how much you save in taxes. A \$10,000 reduction in taxable income will generally result in a tax savings of \$1,200 for someone in the 12% tax bracket, \$2,400 for someone in the 24% tax bracket, \$3,200 for someone in the 32% tax bracket, and \$3,700 for someone in the 37% tax bracket.

You get the picture. Making charitable contributions in a year when you are in a higher tax bracket maximizes the tax benefit. So if you expect an increase in your income to push you into a higher tax bracket in the next year or two, consider waiting until that year to make charitable contributions so that the deduction is worth more to you and can be used to help offset your increased income.

#### **Donate appreciated securities rather than cash.**

Another way to maximize your tax benefits is by donating long-term appreciated securities rather than cash. Here's why.

When you donate appreciated securities, such as stocks, that you have owned for longer than one year, two things happen that can benefit your tax situation. First, you avoid paying capital gains tax on the securities' appreciation. Second, you can deduct their current fair market value.

To give you an example, let's say that you want to donate \$100,000 to charity. You could simply write a check for



### MAKE A PLAN.

Planning your charitable giving can help you give smarter. Here are a few points to consider in your planning.

- ▶ **Which causes do I want to support?** Choose causes that you are passionate about, whether it is curing a disease, feeding the hungry, or some other cause. By supporting causes you care about, you may gain greater satisfaction than if you simply give to everyone who asks.
- ▶ **What are my secondary objectives?** Although your primary objective is to provide support to the causes you care about, you may have secondary objectives, such as reducing your taxes, involving your family in giving, or unlocking income from a highly appreciated asset. Identifying your secondary objectives can help you decide how to structure your charitable gifts (direct gift, donor-advised fund, private foundation, life income gift, etc.) in a way that supports your secondary objectives.
- ▶ **How much do I want to donate this year?** Deciding on a number ahead of time gives you a goal to shoot for and can help you resist the pressure to give more than you intend.
- ▶ **What do I want to donate—cash or appreciated assets?** Remember, a gift of appreciated assets, such as securities, that you've owned for longer than one year can be a more tax-efficient way to make a charitable contribution.

\$100,000 or you could donate stock that you've owned for longer than one year that has a current fair market value of \$100,000. Either way, you can generally deduct \$100,000. But if you donate the stock, you also benefit by avoiding capital gains tax on the stock's appreciation. For example, let's say you purchased the stock for \$10,000. If you sell the stock, the capital gains tax on the \$90,000 of appreciation may amount to as much as \$18,000 (assuming a 20% tax rate). But by donating the stock, you can avoid the tax on the stock's appreciation and snag a deduction for its current fair market value.

What if you do not want to part with the stock? You can donate it and then immediately purchase \$100,000 worth of new shares of the same stock. But now instead of shares with a cost basis of \$10,000, you have shares with a cost basis of \$100,000, which will benefit you taxwise when you eventually sell the new shares.

### **Consider contributing to a donor-advised fund.**

A donor-advised fund can be a tax-efficient way to manage your charitable giving. Here's how they generally work.

- ▶ You contribute cash, securities, or other assets to your donor-advised fund account.
- ▶ You can take an immediate tax deduction for the contribution, as long as you itemize deductions on your tax return.
- ▶ Your contribution is invested and has the potential to grow tax-free.
- ▶ You recommend grants to your favorite charities either right away or over time.

The ability to immediately deduct your contributions without the pressure of having to immediately choose the charities you want to support can be very attractive in certain situations, such as high-income

years. For instance, let's say you receive a large year-end bonus and want to make a charitable contribution by the end of the year for tax purposes, but you don't have enough time to choose the charities. Contributing to a donor-advised fund allows you the time to make thoughtful choices regarding the charities you want to support. Plus it meets your financial objective of an immediate charitable tax deduction that can help reduce your taxable income for the year. And while you are considering which charities you want to support, your contribution is invested so that it can potentially grow tax-free until you are ready to recommend grants.

The ability to spread your grants out over time may also be attractive if you decide to bunch your charitable contributions. Let's say you decide to bunch three years' worth of charitable contributions into one year in order to take a larger itemized deduction that year. One way to get the larger deduction is to simply give your favorite charities three times the normal amount in one year. But if you prefer to support your charities every year, contributing to a donor-advised fund may be the way to go because it provides you with an immediate tax deduction for your contribution and it allows you to spread your grants out over several years, if you choose.

Here are a few things to keep in mind if you are considering a donor-advised fund. First, the contributions you make to your account are irrevocable, meaning that you cannot withdraw them or use them for anything other than making grants. Second, you can recommend grants to qualifying charitable organizations, but the organization that sponsors the donor-advised fund program must approve your grant recommendations.

To learn more about donor-advised funds, including whether they may be a good choice for you, please consult your financial professional. ■

**Please consult your tax and financial professionals.**

Designing a strategy for charitable giving that helps maximize your tax breaks can be a complex task, and we've only briefly touched on some of the considerations here. Please seek advice from your tax and financial professionals regarding how to make the most of your charitable contributions.

# You've Received an Early Retirement or Buyout Offer —Should You Accept It?

Your employer wants to trim the payroll and offers you a financial incentive, such as an early retirement or buyout package, to leave voluntarily. What do you do? How do you know whether the offer is a good deal? Here are a few things to consider when evaluating the offer and making your decision.

## Are you ready to move on?

If you were planning to leave in a year or so anyway and your employer offers you a severance package to leave now, your decision to accept the offer may be an easy one, particularly if the severance package is sufficient to fund your transition into retirement, starting your own business, or whatever else you had planned.

But if you were not planning to leave and you have several years to go until your desired retirement date, your decision may be more difficult, both emotionally and financially. If you want or need to continue working, it's a good idea to assess your prospects for finding a new job before making your decision. Some employers may provide outplacement services to assist you with finding employment elsewhere.

## What is in the offer?

To determine whether the early retirement or buyout offer is a good deal, you need to know how much you can expect to receive and for how long.

The cash component of the offer, also known as severance pay, is often based on salary and years of service. For example, the offer may include a specified number of weeks of pay for every year you worked for the company.

But keep in mind that there is more at stake than just pay. A large percentage of your current compensation package may

be in the form of benefits, such as health insurance, disability insurance, life insurance, stock options, unused vacation and sick pay, etc. How does the offer address these items?

## Does the offer include health benefits?

Some employers may offer to cover all or part of the cost of health insurance for a specified period of time. If health insurance is not part of your offer and you are not yet eligible for Medicare, how will you bridge the coverage gap until you get a new job with health benefits or until you become eligible for Medicare at age 65?

One option may be to remain in your employer's group health plan for up to 18 months under COBRA rules. Keep in mind that you may have to pay the entire premium to retain this coverage unless your employer agrees to pay all or part of the cost.

Another option may be to purchase health insurance from an insurance company or through the Health Insurance Marketplace.

If you are married and your spouse has group health insurance from his or her employer, you may be eligible for coverage under that plan.

## How will retiring early affect your retirement savings?

If you accept the offer and retire earlier than planned, be sure to consider how this will impact your retirement savings.

Are your savings and other retirement resources sufficient to cover the extra years you may spend in retirement?

Also, keep in mind that a 10% early withdrawal tax penalty will apply to withdrawals from your IRAs and retirement plans before age 59½ unless an exception to the penalty applies.

One exception states that if you leave your job in or after the year you reach age 55 (age 50 for qualified public safety employees), withdrawals that you make from that employer's 401(k) or 403(b) plan after you leave are penalty-free.

There are other exceptions to the penalty that you may want to explore if you are considering making withdrawals from your IRAs and retirement plans before age 59½. (Regular savings and investment accounts are not subject to the 10% early withdrawal tax penalty.)

## Will leaving the company affect your pension?

If you have a traditional pension, keep in mind that pension benefits are typically based on your compensation and years of service. If you leave the company now rather than years from now, your benefits may be lower unless the severance package adjusts them for you.

## Will retiring early affect your Social Security retirement benefits?

It may if you need to apply for benefits sooner than you planned. Here's how it



works. You can generally begin receiving retirement benefits at any time between age 62 and age 70. The longer you wait to begin, however, the greater your monthly benefit amount. For example, waiting until age 70 to begin may result in a monthly benefit that is up to 70% greater than if you began receiving benefits at age 62.

#### **Can you afford to take the offer?**

Is the offer—pay, benefits, and other perks—sufficient to protect your financial security until you can find a new job or until you reach the retirement age you had planned on? Your financial professional can help you assess whether

the offer is likely to meet your financial needs.

#### **Can you afford not to take the offer?**

It is important to consider the long-term prospects of your company and your position in it when evaluating an early retirement or buyout offer. While you may want to continue working for your employer, what are the chances that your position may be eliminated soon? And if you pass on this offer, will the company's next offer be as favorable? These may be tough questions to answer, making it all the more critical to carefully evaluate the offer that is on the table today. Your financial professional can help. ■

**Accepting an early retirement or buyout offer can have long-term financial consequences. Please consult your financial professional for advice before deciding whether to accept it.**

# Tax Credits for Going Green

These three federal tax credits may help defray part of the cost to make your home more energy efficient or to purchase a new plug-in vehicle.

**Making qualified energy-saving improvements** to your home or purchasing a new plug-in vehicle may entitle you to a federal tax credit for part of the cost.

As a reminder, tax credits reduce your tax liability dollar for dollar. For example, a \$7,500 tax credit for a qualified plug-in vehicle will reduce your federal income tax by \$7,500. Tax savings like this can help significantly lower the cost of going green.

To qualify for a credit, the vehicle or equipment must meet certain energy-related requirements. You can generally rely on the manufacturer's certification that the vehicle or equipment meets the requirements and qualifies for the credit.

There are other requirements that you must meet. This article touches on some of them, but not all of them. It's a good idea to explore all of them before you make a purchase decision.

Also, this article reflects the tax rules in place as of May 1, 2021. It is possible that Washington may extend, expand, or otherwise change these tax credits in the future. ■

Please consult your tax professional for advice.



**Uncle Sam may pick up 26% of the cost to add an alternative energy system to your home.**

**If you are considering adding solar panels or a different type of alternative energy equipment to your home,** you may want to act while the Residential Energy Efficient Property Credit is available to help defray part of the cost.

The credit is generally equal to 26% of the cost of the qualifying equipment and the labor to install it for systems placed in service in 2020, 2021, or 2022. The credit drops to 22% for systems placed in service in 2023 and is not scheduled to be available for systems placed in service after 2023.

There is no dollar limit on the credit with the exception of fuel cell property, which is limited to \$500 for each half kilowatt of capacity.

The credit can generally be claimed for adding qualified:

- ▶ Solar electric equipment
- ▶ Solar water heaters
- ▶ Geothermal heat pumps
- ▶ Wind turbines
- ▶ Fuel cell property
- ▶ Biomass fuel property (beginning in 2021)

The qualified equipment must be installed in or at a home you own in the United States that you use as a residence. It can be your existing home or a new home that you are constructing. For most types of equipment, the home can be your main home or your second home. However, the credit for fuel cell property can only be claimed for equipment installed at your main home.

## Credit amount

26% For systems placed in service in 2020, 2021, or 2022

22% For systems placed in service in 2023

*The maximum credit for fuel cell property is limited to \$500 for each half kilowatt of capacity. In regards to biomass fuel property, the credit only applies to expenditures paid or incurred after 2020. Costs allocable to a swimming pool or hot tub do not qualify for this credit.*



A CREDIT OF UP TO  
**\$500**

**Improving your home's energy efficiency may reduce your taxes by as much as \$500.**

**The Nonbusiness Energy Property Tax Credit may help you defray up to \$500 of the cost** of energy-efficient furnaces, water heaters, central air conditioners, insulation, and certain other items that you install in your home in 2021.

There is a \$500 maximum limit on this credit, and it is a lifetime limit. So if you claimed this credit in previous years for an amount totaling \$500 or more, you are generally no longer eligible for this credit. There is also a \$200 lifetime limit on windows.

This credit can only be claimed for qualified improvements made to your existing main home. The home must be located in the United States.

<b>Heating, cooling, and water-heating</b>	<b>Maximum credit</b>
Heat pump	\$300
Central air conditioner	\$300
Water heater (gas, propane, or oil)	\$300
Hot water boiler (gas, propane, or oil)	\$150
Furnace (gas, propane, or oil)	\$150
Advanced main air circulating fan	\$50

<b>Building envelope components</b>	<b>Credit amount</b>
Insulation	10% of cost <sup>1</sup>
Roofs (metal or asphalt)	10% of cost <sup>1</sup>
Exterior doors	10% of cost <sup>1</sup>
Exterior skylights	10% of cost <sup>1</sup>
Exterior windows	10% of cost <sup>1</sup>

1. Cost does not include installation.



A CREDIT OF UP TO  
**\$7,500**

**Purchasing a new plug-in vehicle may reduce your taxes by as much as \$7,500.**

**Purchasing a new all-electric or plug-in hybrid vehicle may reduce your federal taxes by as much as \$7,500**, thanks to the Plug-In Electric Drive Motor Vehicle Credit. The exact amount of the credit depends on the capacity of the battery used to power the vehicle.

Many makes and models are eligible for the credit. A few of them are listed below. The full list and the latest credit amounts can be found at [www.fueleconomy.gov](http://www.fueleconomy.gov) or [www.irs.gov](http://www.irs.gov).

<b>Examples of 2021 plug-in vehicles eligible for the credit</b>	<b>Credit amount<sup>2</sup></b>
Audi Q5 55 TFSI e Quattro	\$6,712
BMW 330e	\$5,836
Chrysler Pacifica Plug-in Hybrid	\$7,500
Ford Mustang Mach-E Premium AWD	\$7,500
Honda Clarity Plug-in Hybrid	\$7,500
Hyundai Kona Electric Vehicle	\$7,500
Jaguar I-Pace (HSE, SE, S models)	\$7,500
Jeep Wrangler PHEV	\$7,500
Land Rover Range Rover PHEV	\$6,295
Lincoln Aviator Grand Touring	\$6,534
MINI Cooper S E Countryman ALL4	\$5,002
Mitsubishi Outlander Plug-in	\$6,587
Subaru Crosstrek Hybrid	\$4,502
Toyota Prius Prime Plug-in Hybrid	\$4,502

2. As of May 1, 2021



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## DRAMA QUEEN | Amalfi Coast, Italy

BY BRIAN JOHNSTON

For old-time Mediterranean glamour, a sense of history, and stunning scenery, you can't beat Italy's dramatic Amalfi Coast.

**THE AMALFI COAST DOESN'T REVEAL** its delights easily. Getting there is unpromising as you snake through industrial suburbia from Naples. This legendary southern Italian peninsula makes you work for your pleasures. At times, you'll feel hot and bothered and terrified by the roads. But then you round a bend. Mediterranean sunlight explodes through your windshield. The sea is heaven-blue, the towns marvelous enough for jigsaw puzzles. The drinks are cool, the beaches hot. The 1950s feels like yesterday. Then you realize the Amalfi Coast is worth every white-knuckle bend to get there.

Most visitors arrive from Naples to the north. Make your first stop Sorrento,

never minding that it isn't actually the Amalfi Coast yet. Why let mere geography get in the way of a good time?

Sorrento sits on volcanic cliffs gazing over the Bay of Naples and Mt Vesuvius, and makes a great base for excursions to Capri or Pompeii. The Romans knew a hedonistic spot when they saw one. You can inspect their ruined seaside villas and stay in hotels from the eighteenth-century era of the grand tour, when the likes of Goethe and Byron scribbled poetry as they gazed at the sea.

Now, in the high season, package tourists jostle in Sorrento's piazzas and elbow their way into souvenir stores that sell painted wine jugs. Yet you'll soon

forgive the crowds. Sorrento is a balcony town, jutting out from pine-scented mountains and gazing to Mediterranean infinity. It has cobbled alleys, medieval churches, and stately restaurants whose waiters wear white jackets. At the foot of its handsome streets sits a dainty fishing harbor where you can eat fresh sardines straight from the boats.

From Sorrento, the road heaves over rugged headland and drops you down its far side to the Amalfi Coast. Positano is its first town and was made famous by 1950s Hollywood stars. The chic is still there. Join the jet-setters sipping Aperol spritz on swanky hotel terraces or the fashionistas taking their



LEFT: Small towns cling to the cliffsides along the scenic Amalfi Coast.  
BELOW: A picture postcard worthy view of the Mediterranean Sea and the Amalfi Coast from Villa Rufolo's gardens in Ravello.

Instagram shots with slinking cats on paint-peeling corners.

Positano is jammed into a cleft in the cliffs. The horrifying single-lane, one-way road into it will have your side mirrors scraping past racks of postcards and café tables. You'll have to explore the rest on foot. You're always puffing in Positano as you tackle flights of steps through canyon-like streets. The reward?

Another elegant boutique. Another gelato store. Terracotta rooftops and pink villas like an Impressionist painting. Pocket-sized terraces with big blue views.

Time slouches along in Positano. Taste limoncello liqueur in the shops. Inspect seafood in the market. Walk past a disheveled watchtower on a path dusty with cactus and bright with lipstick-pink bougainvillea to Fornillo, a little cove with a cuticle of sand and leaning parasols. Go swimming. Take a boat excursion and return salty and sleepy from grottoes, Roman ruins, or the Li Galli Islands, where sirens once supposedly sang to Ulysses. A hydrofoil will skip you over to Capri for the day. Later, simply settle in for evening cocktails on a terrace as the sea turns pink, scribbled over by the wakes of passing speedboats, and the sun fizzes on the horizon in an explosion of orange.

If you're keen on more strenuous activities, look up. The Amalfi Coast is backed by steep green ridges where few tourists bother to tread. Take the heart-pounding hike from Positano to the village of Nocelle for some of the most spectacular views in Italy from tiny farm terraces that look as if they're about to slide off the hillside and into the sea. Locals are still growing lemons and making olive oil and goat's cheese here, as if oblivious to the fame of the tourist towns below. Another hill town, Furore, produces mozzarella

and Costa d'Amalfi wine.

In the Middle Ages, the Amalfi Coast was part of a maritime republic that became prosperous on manufacturing and trade: paper, spices, perfume, silk, carpets. The summer retreat of the dukes of Amalfi was at Praiano five miles further along the coast from Positano. The town is another pile of houses teetering above



the sea—350 sunbaked steps connect it to the beach—and is dominated by a mustard-yellow, tile-domed church. Keep driving and you pass old defense towers, villas, and the green-blue Smeraldo grotto with its swarm of tourist boats, before arriving at Marina di Conca, a whitewashed wedge of fisherman's cottages.

Driving the rollercoaster Amalfi Coast—with its impatient Italian drivers, narrow roads, and nearby cliff plunges—isn't for the timid. Expect to be frustrated by traffic jams and exceedingly limited parking spaces, though you do get dazzling views at every hairpin bend and every gorge-spanning bridge. Travel by ferry if you want to avoid driving stress, although hauling baggage from harbor to hill-clinging hotel provides another challenge.

At some point, be sure to take to a yacht or motorboat. From the sea, you get another perspective on the peninsular drama. Craggy hilltops seem to catch the clouds. Beneath are tiers of olive and

lemon trees, then pastel-colored houses and flower-draped hotels tumbled like dice. Where rock ends, pocket-sized beaches unfurl and water laps in shades of peacock blue.

Towards the eastern end of the Amalfi Coast is Amalfi town. You can see from the architecture that this was a plump and satisfied place in the Middle Ages. The centuries of inertia that followed preserved unaltered its Gothic buildings and striking Norman-Arab cathedral, striped in black and white. For a few centuries Amalfi became a shabby fishing village until it was 'discovered' by wandering Victorian tourists. Now the wonderful old town is fronted by grand nineteenth-century villas and hotels, and Amalfi is an absurdly pretty place that ends in a checkerboard of beach umbrellas and gently lapping sea.

Walk around the headland to Atrani, which is only half a lovely mile. It has a wisp of a beach and a dense knot of white-washed alleyways. Then brace yourself for a last challenge on the road, and squeeze your car upwards around curly bends to Ravello on the hillside above. Although the Amalfi Coast's inaccessibility makes you earn your pleasures, this is a highlight.

In the old days, Ravello was the preferred haunt of writers such as D. H. Lawrence and Gore Vidal. It remains arty and aloof from the frivolity of beaches. It hosts a posh music festival, and its villas are converted to posh hotels. Its Romanesque cathedral is magnificent, and even the marble of its main piazza looks polished to a sheen. But best of all are Ravello's garden terraces high above the Mediterranean, suspending you between sea and sky amid perfumed blooms. You forget the terror of the hairpin bends that got you here and lose yourself in distilled Mediterranean beauty. ■



Rendering of THE LUME Indianapolis  
courtesy of Grande Experiences

F Y I

## Exhibitions This Summer

Here are a few of the many exhibitions planned for this summer.  
Please confirm the dates on the exhibitions' websites.

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### INDIANAPOLIS, IN

**THE LUME Indianapolis** | [www.discovernewfields.org](http://www.discovernewfields.org)

Expected to open in June 2021, THE LUME Indianapolis (above) will feature approximately 30,000 square feet of immersive digital art galleries and nearly 150 projectors to transform two-dimensional paintings into a three-dimensional world that visitors can explore with all their senses. The inaugural experience in the THE LUME will spotlight the paintings of Vincent van Gogh with about 3,000 moving images of van Gogh's paintings set to a classical score. THE LUME digital art galleries occupy the entire fourth floor of the Indianapolis Museum of Art at Newfields.

### CHICAGO, IL

#### SAN FRANCISCO, CA

**Immersive Van Gogh** | [www.vangoghchicago.com](http://www.vangoghchicago.com) | [www.vangoghsf.com](http://www.vangoghsf.com)

Presented in both Chicago and San Francisco, the Immersive Van Gogh exhibition is an opportunity to step inside the iconic works of post-Impressionist painter Vincent van Gogh. The exhibition features stunning projections of van Gogh masterpieces, such as *Starry Night* and *Sunflowers*, that stretch from floor to ceiling, enveloping visitors in a world of light, color, movement, and music. The exhibition is expected to run through September 6, 2021 at both locations: Chicago's Germania Club and San Francisco's SVN West.

### HOUSTON, TX

**Pompeii: The Exhibition** | [www.hmns.org](http://www.hmns.org)

Visitors to this exhibition at the Houston Museum of Natural Science can explore what life was like in Pompeii right before that fateful moment in 79 AD when Mount Vesuvius erupted, burying the city in ash. Through the use of projections and photographic murals, visitors can experience different locations in the city. Plus, over 150 artifacts help bring the story of Pompeii to life. They include mosaics and frescoes, gladiator helmets and armor. They also include eight body casts of Pompeii residents that were excavated from the site. The exhibition is expected to run through September 6, 2021.

### WILLIAMSTOWN, MA

**Ground/work** | [www.clarkart.edu](http://www.clarkart.edu)

The woodland trails and open meadows of the Clark Art Institute's bucolic 140-acre campus in western Massachusetts are the setting for its first outdoor exhibition. The exhibition is comprised of works by six leading contemporary artists (Kelly Akashi, Nairy Baghramian, Jennie C. Jones, Eva LeWitt, Analia Saban, and Haegue Yang) and is expected to be on view through October 2021. ■

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## QUIZ

# Match the Character to the Book

- Set in Regency-era England, this series of books focuses on the love lives of eight siblings named Anthony, Benedict, Colin, Daphne, Eloise, Francesca, Gregory, and Hyacinth:  
A. Rokesby  
B. Bridgerton
- Also set in Regency-era England, this novel follows the character development of a young woman named Elizabeth Bennet:  
A. Mansfield Park  
B. Pride and Prejudice
- Claire Fraser, a time traveler, nurse, and later a doctor, is one of the main characters in this series of books:  
A. Outlander  
B. Time Quintet
- This novel follows a young Andalusian shepherd named Santiago on his journey to the pyramids of Egypt:  
A. The Archer  
B. The Alchemist
- The Lannister and Stark families are key characters in this epic fantasy book:  
A. Game of Thrones  
B. Dying of the Light
- In this book, Astronaut Mark Watney is stranded alone on another planet and presumed dead by his crewmates:  
A. The Martian  
B. Artemis
- Diana Bishop, a witch, and Matthew Clairmont, a vampire, are the main characters in this series of books:  
A. All Souls Trilogy  
B. The Twilight Saga
- Characters in this book include a retired couple, a bank director, a young couple, an 87-year old woman, a real estate agent, and a failed bank robber who takes the group hostage:  
A. A Man Called Ove  
B. Anxious People
- Katniss Everdeen, a teenager who is forced to fight to the death, is the protagonist of this book:  
A. The Hunger Games  
B. The Handmaid's Tale
- Albus Dumbledore is the headmaster at a school of witchcraft and wizardry in this series of books:  
A. The Lord of the Rings  
B. Harry Potter



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We have all been asked questions like this when friends are looking for a new dentist, doctor, or lawyer. Referrals are a great way to find a professional; they are also a great way for firms such as ours to add new clients. So if a friend asks you, "Do you know anyone who can help me with my taxes or accounting?", please give them our name. You will have the satisfaction of knowing that you have helped two friends—the person you referred to us and our firm! **Thank you.**



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