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Jan. 24, 2020



Depending on a client's situation, contributions made to an IRA in 2020 may be wholly or partially tax deductible on a 2019 tax return. This is an opportunity for clients to reduce their tax liability after the close of the tax year.

Target tax return due date. The deadline for making an IRA contribution for the 2019 tax year is April 15, 2020. In other words, as long as you make the contribution by the due date for filing your return, you can possibly reduce the tax owed for 2019. But there's a catch: An extension to file your return doesn't provide an extension to

make your IRA contribution. Therefore, if you obtain a filing extension to October 15,

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Use refund for IRA contribution. If you're short on the cash needed for an IRA contribution this year, you can file your tax return early and use the refund to fund the contribution. In effect, it's like Uncle Sam is giving you interest-free use of the money. Does this sound too good to be true? It's not. The IRS officially approved this technique in a taxpayer-friendly ruling many years ago. (*IRS Revenue Ruling 84-18*) All you have to do is ensure that the amount you're deducting is deposited with the financial institution by the April 15th deadline.

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