YEAR-END TAX PLANNING STRATEGIES

With the House and the Senate both passing their own versions of tax reform, there is a reasonably high probability that the United States will see a dramatic shift in tax policy in 2018. While no one knows what will be included in the final bill, there is an equally high probability that next year's tax rate will be marginally lower for most tax payers.

With that thought in mind, we break down our year-end tax planning strategies into three main categories:

1. Acceleration of deductions into 2017
2. Shifting of income to 2018
3. Best Practices

1 ACCELERATION OF DEDUCTIONS

Accelerating your deductions in 2017 could make sense for two reasons:

1. Tax brackets may be lower in 2018 than in 2017 (hence the deductions could become more valuable in 2017 than in 2018)
2. Itemized deductions may get phased out in 2018

Four ways to accelerate your deductions in 2017:

1. If you are not at risk of paying the AMT (the alternative minimum tax), consider paying your 2018 property tax bill in 2017.
2. Consider moving up medical procedures into 2017 that have significant out-of-pocket expenses.
3. If you are planning to make significant contributions to your church or a 501c(3) organization, consider making the gift in 2017 rather than 2018.
4. If you are a small business owner, consider making your 2018 purchases this year. This could include new and used personal property such as equipment, computers, desks, chairs, etc. Just be sure that these items are purchased and put in service by the end of the year.

There is little risk to implementing these tax maneuvers, and there is additional upside to you, the tax payer if there are changes to the tax code.

2 SHIFTING INCOME TO 2018

IF YOU HAVE THE ABILITY TO MOVE INCOME TO 2018, THIS COULD BE A GOOD YEAR TO DO IT!

If you are self-employed, one simple way to do this is to wait to bill your customers until after January 1st. Small business owners on a cash-basis can also prepay and deduct qualifying expenses up to 12 months in advance. This could include:

- Lease payments on business vehicles
- Rent payments on a commercial property lease
- Insurance premiums

If you are not self-employed, you can do the same thing if you have the ability to move a year-end bonus into January.

- 401K contributions – if you do not max out your 401K each year, consider making both 2017 and 2018 retirement contributions in 2017. While this may create a challenging cash-flow situation, it may be worth the effort as the deferral could become more valuable in 2017.
- Distributions from retirement plans – 2017 could be the year to take the minimum required distribution from your IRA. Consider waiting to 2018 to take additional distributions.
- Roth conversion: 2017 could end up being a bad year to do Roth conversions. Consider re-characterizing your Roth conversion if the underlying assets performed poorly or wait until 2018 to do the conversion.

3 BEST PRACTICES

- Make sure you are contributing to your company 401k if your employer matches your contribution.
- If you are not self-employed, make sure you are using the right plans for additional savings, whether an IRA, a Roth IRA, a non-deductible, or some other deferral option, such as annuities, cash-value life insurance and tax-efficient investments
- If you are self-employed, make sure you are maximizing your retirement savings opportunities using the optimal plan design; and don't overlook the opportunities to defer up to $100,000 in a Defined Benefit/401(k) combo.
- Be methodical about gifting, and find tax-efficient methods of helping family members. This can include:

o Charitable gifting: Outright gifts to charities.

o Gifts to family: Annual exclusion usage, outright gifts, gifts to a trust for the benefit of a family member.

o Educational savings: Tax-efficient vehicles include 529 plans, Coverdell savings accounts and education IRAs.

Don't forget to review your portfolio gains and losses for tax-loss harvesting opportunities.

Failing to tax plan in 2017 could cost you significant money – so don't wait to set your plan in motion!

If you have additional questions or need some planning help, please reach out to us at www.monotelo.com or 800-961-0298.