

Year-end Tax Planning

As the end of the year approaches, it is a good time to think of planning moves that will help lower your tax bill for this year and possibly the next. Factors that compound the challenge include turbulence in the stock market, overall economic uncertainty, and Congress's failure to act on a number of important tax breaks that expired at the end of 2014. Some of these tax breaks ultimately may be retroactively reinstated and extended, as they were last year, but Congress may not decide the fate of these tax breaks until the very end of 2015 (or later). If you think one or more of the following items may be relevant to your year-end planning, call us for more information.

Year-End Tax Planning Moves for Individuals

- Realize stock losses to offset gains that may have occurred during the year.
- Think about postponing income until 2016 or accelerating income in 2015 depending on the year in which you think your tax bracket may be lower.
- Consider ways that you can use your traditional IRA and Roth IRA accounts for tax planning.
- It may be advantageous to try to arrange with your employer to defer, until 2016, a bonus that may be coming your way.
- Remember that deductible expenses paid on a credit card are deductible even if the credit card is not paid off by the end of 2015.
- If you expect to owe state taxes when you file your taxes next year, ask your employer to increase your withholding before the end of the year.
- If needed, take an eligible rollover distribution so that income tax withheld on the distribution can be applied to your 2015 taxes.
- Consider if you will be subject to the Alternative Minimum Tax. This could affect your deductions.
- You may be able to save taxes this year and next by applying a bunching strategy to "miscellaneous" itemized deductions, medical expenses and other itemized deductions.
- You may want to pay contested taxes to be able to deduct them this year while continuing to contest them next year.
- You may want to settle an insurance or damage claim in order to maximize your casualty loss deduction this year.
- Take the required minimum distributions from your IRAs or retirement plans to avoid penalties.
- Increase the amount you set aside for next year in your employer's health flexible spending account (FSA) if you set aside too little for this year.
- If you can make yourself eligible to make health savings account (HSA) contributions by Dec. 1, 2015, you can make a full year's worth of deductible HSA contributions for 2015.

Year-End Tax-Planning Moves for Businesses & Business Owners

- Consider making machinery and equipment purchases before the end of the year to increase your depreciation deductions.

- You may be able to deduct small asset purchases under the “de minimis safe harbor” election.
- Think about postponing income until 2016 or accelerating income in 2015 depending on the year in which you think your tax bracket may be lower.
- If you have a small loss in 2015 and are expecting much greater income in 2016, it may be beneficial to accelerate some income into 2015 if possible. This will help make your estimated payment for 2016 more manageable.
- If your business qualifies for the domestic production activities deduction, consider ways to increase 2015 W-2 income.
- To reduce 2015 taxable income, if you are a debtor, consider deferring a debt-cancellation event until 2016.
- To reduce 2015 taxable income, consider disposing of a passive activity in 2015 if doing so will allow you to deduct suspended passive activity losses.
- If you own an interest in a partnership or S corporation, consider whether you need to increase your basis in the entity so you can deduct a loss from it for this year.

If you have questions on how these ideas may relate to your circumstances, please do not hesitate to call us soon.

Source: Check Point Newsstand, Year-end tax planning client letter for 2015