2016 Tax Planning Tips

We've put together a list of valuable tax planning tips for 2016. Contact us if you have any questions.

1. **Make your January mortgage payment in December to increase your interest expense deduction.**
2. **If you are a cash basis business, consider prepaying some expenses to reduce your 2016 net income.**
3. **Make any cash charitable contributions you were planning on making prior to year- end.**
4. **Clean out your closets and donate clothing and household items to a charitable organization. You will need to get a receipt from the charity and maintain records regarding what was donated and the value. We have worksheets to help you value your donated items.**
5. **Give bonuses to owners and/or employees.**
6. **Increase contributions to a retirement plan or set up a new one.**
7. **Increase Health Savings Account contributions. For those with Flex Spending Accounts at work, be sure to use your benefits before you lose them.**
8. **Sell stocks that you plan to sell at a loss to offset capital gains from other stocks. If you end up with a net loss overall, you can use up to $3,000 per year to offset other income sources.**
9. **Pay state tax payments for fourth quarter 2016 estimated taxes in December 2016 rather than in January 2017 to get the tax deduction for 2016. There is no tax deduction for payments made to the IRS, so those payments can be sent as expected on or before January 15, 2017.**
10. **An individual or business can charge tax deductible items on a credit card in December and count that as a 2016 tax deduction even if the credit card is not paid off until 2017.**
11. **Give appreciated assets, such as stocks, to a charity. Take a deduction for the fair market value of the asset and avoid paying tax on the gain.**
12. **Consider making new business computer or equipment purchases prior to year-end.**
13. **A business owner can issue a bonus check to increase withholding rather than pay in an estimated tax payment. This could potentially lower an underpayment penalty as wage withholdings are considered to be paid evenly throughout the year.**
14. **Check your account values on any IRA accounts that have been converted to a ROTH during the year. If you converted IRA accounts to a ROTH and the account value has since gone down, you can reverse the conversion. This allows you to do a conversion at a later time and pay less tax.**
15. **For taxpayers that are age 70 ½ and older and that don't itemize deductions, consider having an IRA distribution transferred directly to a charitable organization. Take special care to ensure your IRA distribution paperwork is filled out correctly. This distribution counts toward your required minimum distribution, but is not taxed as income, and you cannot receive a charitable contribution deduction.**
16. **For those trying to lower their estate value, you can give up to $14,000 per year ($28,000 for married taxpayers) to as many people as you would like. You will not have to pay any gift or estate tax.**