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Lynn's Top Five

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Welcome to the end of the tax year. And what a year it's been! With all the coverage of what some embrace as a great step forward and some disparage as a total mess, here we are nonetheless with just a few short weeks left to put the final touches on almost all the tax moves that will impact our 2018 income tax bill. I'd like to recap five for your consideration that you should review with a CPA or tax professional.

1) Terrible stock market? Maybe a silver lining: Every year financial planners like me remind clients that it's a good idea to tax loss harvest. The past few years haven't provided much opportunity for that, but maybe this year you'll find it's worth the effort to dig into your basis information and look for losses in non-retirement accounts. To understand if this option is beneficial for you, this is a perfect opportunity to review this with a Certified Financial Planner professional and a CPA or tax professional.

2) Prepay property taxes? Maybe. Many taxpayers will be surprised that itemizing their deductions will no longer help them, and this may especially be the case for married filers and particularly those 65 and older. Why? The standard deduction for married filers is now $24,000 with an additional $1,300 deduction for each filer 65 years of age and up. That, plus the limitation for property and California state taxes at $10,000 whether married or single and the loss of all miscellaneous deductions, has the government estimating that millions of us will no longer itemize our deductions. So this year do we still double down on our property taxes and pay the fall and spring vouchers like many of us have in previous years given the limits? Maybe. This is yet another item that you should review with your CPA or tax professional. Keep in mind that the state of California has not conformed to the new federal tax law and that may tip your decision.

3) When will I get that refund promised me in the new tax law? In a few months when you file, you may be saying "what refund?" because the payroll tax withholding tables for the year took the new brackets into account and thus many have already been paying less. Unfortunately, the new tax laws weren't a tax cut for all - some of us will actually pay more because of the loss of the personal exemption as well as the many changes to itemizing. Run the numbers! Now is the time to work with your trusted advisors and be ready, if needed, to pony up more via either withholding or a fourth quarter tax payment due in mid-January.

4) Will my business get a 20 percent tax break? Many small business owners will receive a 20 percent deduction on their business income. The tax break phases out at $157,500 for single filer and twice that amount if you are married and have other limits as well. This new deduction is based on what's called Qualified Business Income. This is a complex possible deduction inside the sweeping new tax law. If you feel your business might qualify, or you are considering an entity change, you can do some preliminary reading at the IRS.gov website before you reach out to your tax and legal professional. Search for QBI and you will be directed to several helpful publications.

5) Bunching - it's not just for bananas! When you aggregate your potential deductions, take a look at two categories in particular: out of pocket medical expenses and charitable donations. If you are very close to benefiting from these costs with a deduction, you might want to bunch more into 2018, or similarly, push out your year-end planned medical payments and donations to next year and deduct them in 2019. However, with regard to itemizing medical expenses, note that this year you have a 7.5 percent Adjusted Gross Income threshold to overcome whereas next year the threshold increases to 10 percent of AGI. Important: If you are taking Required Minimum Distributions this year, don't forget to look at the possible benefits of donating directly from your RMD.

You may have noticed there's a theme here: Run the numbers. This isn't a year for guessing. And don't delay. You have very little time to make some big decisions. Reach out to your tax and financial planning pros to help you. Then you can breathe a little easier and enjoy the holidays!

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