



TRAPHAGEN FINANCIAL GROUP

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Year-End Tax Planning Strategies For Individuals & Businesses

Year-end tax planning, executed timely, is the best opportunity to minimize taxes. Tax planning strategies can defer some of your current year's tax liability to a future year, thereby freeing up cash for investment, business or personal use. Tax planning allows you to take advantage of tax rate differentials between tax years. Therefore, you must review both the current tax year and the following tax year. If monitored properly, tax planning can also help you minimize or even prevent the impact of the Alternative Minimum Tax (AMT) to preserve the tax benefit of many of your deductions.

Tax Planning Strategies

- Reduce current year tax
- Defer current year tax
- Reduce future year's tax
- Maximize savings from allowable deductions
- Minimize Alternative Minimum Tax
- Maximize tax credits
- Minimize Capital Gains
- Minimize tax on net investment income
- Avoid penalties for underpayment of estimated taxes

Individuals

Some Expiring Provisions

- The treatment of mortgage insurance premiums as deductible qualified residence interest
- Above-the-line-deduction for qualified higher education expenses
- The 7.5 AGI floor for taxpayers 65 or older
- Exclusion for up-to-\$2 million of mortgage debt forgiveness on a principal residence
- Non business energy credit for certain energy efficient improvements to main home

Tax Planning Strategies

- Maximize your health flexible spending account (\$2,650)
- Realize losses on stock while substantially preserving your investment position
- Postpone income and accelerate deductions this year if you expect to be in the same or a lower tax bracket next year
- Accelerate income and defer deductions if you expect to be in a higher tax bracket next year
- If you converted a traditional IRA to a Roth IRA this year and the Roth IRA declined in value, you will pay a higher tax. You can re-characterize the rollover by transferring from the Roth IRA back to a traditional IRA
- Defer your bonus, if possible, until 2018
- Use a credit card to prepay expenses that generate deductions for this year
- If you expect to owe state and local income taxes for 2017 and you are not in Alternative Minimum Tax (AMT), increase your withholding of state taxes or pay state estimated taxes before year-end
- Pay all miscellaneous, medical and other itemized deductions in the same year if you exceed the amount of the phase-out thresholds
- Make gifts of up to \$14,000 to an unlimited number of individuals before year end; this can save you gift and estate taxes
- Contribute to charities directly from IRA

Businesses

Tax Planning Strategies

- Businesses should consider making expenditures that qualify for the business property expensing option (Section 179). For tax year 2017, the expensing limit is \$510,000 and the investment ceiling limit is \$2,030,000
- If you are self-employed consider setting up, before year end, a self-employed retirement plan and bonus to maximize deductions
- If you own an interest in a Partnership, LLC or S Corporation, you may need to increase your basis in the entity so you can deduct a loss from it for this year
- Postpone income and accelerate deductions this year if you expect to be in the same or a lower tax bracket next year
- Accelerate income and defer deductions if you expect to be in a higher tax bracket next year
- Consider employing your children in the business
- Bonus depreciation - Consider making expenditures that qualify for the 50% bonus first year depreciation. There is no limitation on the investment; however, it only qualifies if it is new asset

President Trump's Tax Proposal Update

The Presidents proposal would significantly change the existing Tax Code. However, it is important not to put a tax strategy on hold until a clearer picture emerges from Washington.

We would advise you immediately if a tax proposal or any significant changes occur prior to year end that would affect your individual or business tax strategies.

If you have any questions about how these strategies apply to your particular situation, please don't hesitate to contact our office so we can assist you.

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