2017 Year-End Planning Update

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For the first time in more than 30 years, the United States is poised to enact sweeping changes to federal tax laws. The U.S. House of Representatives and Senate have separately passed their own tax bills, and both versions include lower individual tax rates. A conference committee is presently resolving disagreements between the House and Senate in order to release a final bill. Congress is expected to vote on final legislation before the end of 2017.

Based on the anticipated changes to the tax laws, there are some tax planning opportunities that should be considered before December 31, 2017. Once the final bill is signed into law, Porzio will send additional updates addressing the implications of the changes, which are expected to take effect January 1, 2018.

2017 Tax Planning Opportunities and Considerations

- If you are not subject to the Alternative Minimum Tax ("AMT"), pre-pay 2018 real estate taxes before year end in order to take advantage of the current State And Local Tax ("SALT") deduction that is expected to be reduced/eliminated.
- If you are not subject to AMT, pre-pay fourth quarter 2017 estimated state income tax due as well as any remaining 2017 tax liability before year end (traditionally due April 15, 2018), but only to the extent of the liability (there is no benefit to paying more than the actual tax liability due).
- For residents of states that do not have an income tax or have a low income tax rate (e.g., FL), accelerate a planned expensive purchase in order to deduct the sales tax.
- Make donations/contributions to qualified hurricane relief efforts in order to be eligible for special charitable deduction equal to 100% of AGI for those donations, without any phase-out rules for high income taxpayers.
- Identify security lots and tax basis of current securities in your portfolio for possible sales to offset realized gains in 2017, as well as to minimize anticipated new First In, First Out ("FIFO") rules.
- Consider delaying self-employment income, deferring a year-end bonus, and/or putting off non-required retirement plan distributions until 2018.
- Review your traditional IRA plans and employer-sponsored defined contribution plans (e.g., 401(k) plan) to make sure you are taking the annual required minimum distributions (RMDs) after you reach age 70½.
- Make annual exclusion gifts (up to $14,000 per recipient), but avoid making taxable gifts before the end of the year if you have used up all or most of your lifetime gift tax and/or GST tax exemption amounts (currently $5,490,000 per donee).
- Trustees of irrevocable trusts with a discretionary power to distribute income and/or principal should consider making a distribution of the net income in order to take advantage of potentially lower income tax rates at the individual beneficiary level.

- Tax reform efforts make it difficult to predict anyone's tax situation in 2018, but the planning alternatives discussed above may be beneficial to some individuals.

Please contact us with any questions.