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End of the Year Tax Tips: How You Can Save Money…

It is never too early or too late to start tax planning. With a new president entering the White House in January, there are many unknowns. However, based on what has been discussed and proposed, tax rates for both corporations and individuals will be going down. How much and how soon is still subject to debate.

That being said, both businesses and individuals should consider these basic tax-planning tips:

Businesses

- Establish a qualified retirement plan. In many cases, the plan must be established by December 31, but does not need to be funded until the due date of the tax return, including extensions.
- If you purchase, and place in service, furniture, fixtures or equipment by December 31, you may be able to expense up to $500,000 currently (section 179). The balance would be written off over the useful life of the assets. Also, there is a 50% bonus depreciation that may be available.
- If you are a cash basis entity, try to defer income until 2017 when the tax rates may be lower; likewise pay as many expenses in advance as possible to get a deduction in 2016.

Individuals

- Maximize your 2016 401(k) contributions, especially if your employer matches.
- Accelerate into 2016 charitable contributions you would make in early 2017.
- Try to minimize your 2016 capital gains by selling stocks/bonds with losses or by deferring gains until 2017.

Everyone’s situation is different, so you should consult with your tax advisor to discuss what is proper for your particular circumstances.

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