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the elimination of familiar tax planning strategies under the Tax Cuts & Jobs Act (TCJA) as ...

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The leaves are changing, the kids are off to school and 2020 is right around the corner — what better time to consider your year-end tax planning? We know that the elimination of familiar tax planning strategies under the Tax Cuts & Jobs Act (TCJA) as well as additional changes that may occur as a result of the 2020 elections may be weighing heavily on your mind when it comes to their impact on future

individual, you may opt to hold off on sending invoices until late December to push the associated income into 2020. However, all taxpayers, regardless of employment status, can defer income by taking capital gains after January 1. However, keep in mind that waiting to sell increases the risk that your investment's value will decrease. Moreover, taxpayers who are eligible for the qualified business income (QBI) deduction for pass-through entities — sole proprietors, partnerships, limited liability companies and S corporations — could end up reducing the size of that deduction if they decrease their income. You may also opt to maximize the QBI deduction, which is scheduled to end after 2025.

Bunching your deductions

The TCJA substantially boosted the standard deduction for 2019 to be $24,400 for married couples and $12,200 for single filers. With many of the previously popular itemized deductions eliminated or limited, you may find it challenging to claim more in itemized deductions than the standard deduction. Timing, or "bunching," those deductions may make it easier. Bunching basically means delaying or accelerating deductions into a tax year to exceed the standard deduction and claim itemized deductions. By bunching in one year and taking the standard deduction in an adjacent year, the total deductions over a two year period could be increased. You could, for example, bunch your charitable contributions if it means you can get a tax break for one tax year. If you normally make your donations at the end of the year, you can bunch donations in alternative years — say, donate in January and December of 2020 and January and December of 2022. **Bunching Your Donor-Advised Fund (DAF):** You can make multiple contributions to it in a single year, accelerating the deduction. Thereafter, you can decide when the funds are distributed to the charity. If, for instance, your objective is to give annually in equal increments, doing so will allow your chosen charities to receive a reliable stream of yearly donations (something that's critical to their financial stability), and you can deduct the total amount in a single tax year. If you donate appreciated assets that you've

unreimbursed medical expenses to 7.5% of adjusted gross income (AGI) for 2017 and 2018, but it bounces back to 10% of AGI for 2019. Bunching qualified medical expenses into one year could make you eligible for the deduction. **Bunching Property Tax Payments:** Assuming local law permits you to pay in advance, this approach might bring your total state and local tax deduction over the $10,000 limit, which means that you'd effectively forfeit the deduction on the excess. As with income deferral and expense acceleration, you need to consider your tax bracket status when timing deductions. Itemized deductions are worth more when you're in a higher tax bracket. If you expect to land in a higher bracket in 2020, you'll save more by timing your deductions for that year.

Give to charitable organizations

When considering the amount of your charitable donation, remember that if you receive any benefit from making the donation, you must reduce the amount of your deduction by the fair market value of goods and services received.Several changes to itemized deductions were made under the TCJA. One important change was the reduction of the state and local tax deduction to $10,000 and removing 2% miscellaneous itemized deductions. However, the charitable deduction is still available with some new enhancements. For the 2019 tax year, gifts or donations of cash to a public charity are deductible up to 60% of your adjusted gross income. Thus a married couple with an adjusted gross income of $200,000 may deduct up to $120,000 of cash contributions to an eligible charitable organization. You can also donate property to charitable organizations. With the donation of appreciated property, the fair market value of the property exceeds the cost basis and you have a choice to utilize either amount when claiming the deduction. When using the fair market value of the property, the maximum amount of the deduction is 30% of your Adjusted Gross Income. If you choose to utilize the cost or basis of the donated property, the maximum deduction increases to 50% of your AGI. This is true for donations of appreciated property to private operating foundations as well (donations to non-operating foundations are limited to 30% when using basis and

a dollar-for-dollar basis. If your losses exceed your gains, you generally can apply up to $3,000 of the excess to offset ordinary income. Any unused losses, however, may be carried forward indefinitely throughout your lifetime, providing the opportunity for you to use the losses in a subsequent year.

Maximizing your retirement contributions

As always, as an individual taxpayer you should consider making their maximum allowable contributions for the year to their IRAs, 401(k) plans, deferred annuities and other tax-advantaged retirement accounts. For 2019, you can contribute up to $19,000 to 401(k)s and $6,000 for IRAs. Those age 50 or older are eligible to make an additional catch-up contribution of $1,000 to an IRA and, so long as the plan allows, $6,000 for 401(k)s and other employer-sponsored plans.

Consider investing in a Qualified Opportunity Zone

Although the capital gains rates are attractive, some taxpayers prefer to defer paying ANY tax to a later time. TCJA added a new way to defer the tax on capital gains for up to seven years by investing in a qualified Opportunity Zone. To take advantage of this tax deferral, you must invest the gain from the sale of a capital asset into an Opportunity Zone within six months after the date of sale. For partnerships, the clock starts at the end of the partnership's tax year. (Special timing rules apply to capital gains arising from the sale of trade or business property). Investing in an Opportunity Zone provides several tax benefits, including: – Tax on the initial capital gain is deferred until December 2026 (unless you sell the investment earlier); – If the proceeds are invested in the fund for five years, 10% of the initial gain is not taxed; – If the proceeds remain invested for an additional two years, another 5% of the gain is not taxed; – In order to achieve the full 15% exemption, the investment must be made before December 31, 2019 (unless Congress extends that date); – If you hold the Opportunity Zone investment for a full 10 years, any appreciation on the original investment is exempt from tax. The rules governing the tax treatment and benefits of

Opportunity Zone investments are still in flux – at this point the IRS has issued only

and long-term loss carryovers, you can deduct up to $3,000 per year on your return ($1,500 married filing separate). As it is unclear how long the capital gains rates will stay at this level, it is still prudent to consider selling your capital assets, such as stocks and bonds, to take advantage of the lower tax rates, assuming you can redeploy the gains to achieve the same or better yield.

Accounting for 2019 TCJA changes

Most — but not all — provisions of the TCJA took effect in 2018. The repeal of the individual mandate penalty for those without qualified health insurance, for example, isn't effective until this year. In addition, the TCJA eliminates the deduction for alimony payments for couples divorced in 2019 or later, and alimony recipients are no longer required to include the payments in their taxable income.

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