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As the year winds to a close, tax professionals have the opportunity to look at their clients' tax situations to identify tax savings or deferral options that may help decrease their tax liability. Here is a summary of various tax law provisions and related, year-end tax planning tips.

Itemized deductions

Under the Tax Cuts and Jobs Act (TCJA), the standard deduction doubled beginning in 2018 ($24,400 for joint filers in 2019), which drastically reduces the number of taxpayers who itemize deductions on Schedule A. With this newer, elevated threshold, taxpayers may consider **bunching their deductions** every other year to

only deductible in the current year if the tax is assessed by the governing body in the same year; otherwise they are deductible in the following year.

Charitable contributions

If you're 70½ years-old or older and hold an IRA account, clients may be able to benefit by making a **qualified charitable distribution** to possibly reduce their above-the-line income. In addition, with a donor-advised fund, the taxpayer receives an immediate tax deduction and recommended grants from the fund over time.

Retirement contributions

Planning for retirement typically makes financial sense – and there are a variety of plans available to individuals that allow a tax-favored way to save for retirement. It's smart to consult with a financial planner before deciding on a plan that best suits the individual. Lower income taxpayers may be eligible for the Retirement Savings Contribution Credit, or saver's credit.

Two types of plans for individuals include:

- **Elective deferrals [401(k) type plans]:** Contributions can be deducted and the earnings on the contributions grow tax free until the money is distributed from the plan. Sometimes, the employer may provide matching funds. A designated Roth option allows the taxpayer to pay tax on contributions, but distributions are fully tax-free. Help your clients boost pre-tax contributions prior to year-end to reduce their income.
- **IRA plans:** Contributions to traditional IRAs are deductible, and the earnings grow tax free until the money is distributed. Contributions to Roth IRAs are not deductible, but the earnings and distributions are excluded from income tax. Contributions to these retirement plans can be made up until the due date of the tax return.

fortunately, many of your clients probably have many years to plan for it. The smart way to go about it is to start early, save a little money each year and let the money grow. The government provides tax incentives through the following plans. Remember to tell clients to withdraw money attributed to education expenses before year-end.

- **529 plans:** The taxpayer doesn't get a federal tax deduction for contributions to 529 plans (some states allow for a deduction), but the investment in the plan grows tax free. No tax is due on distributions if the money is applied toward qualified education expenses in the same year. Beginning in 2018, elementary and secondary school tuition were available under 529 plans.
- **Coverdell Education Savings Accounts (ESAs):** Contributions to ESAs are not deductible, but investments grow tax free until the money is distributed, and distributions are tax free if used for qualified education expenses in the same year. Qualified education expenses for ESAs also include elementary and secondary education expenses, in addition to postsecondary education expenses.
- **IRA Plans:** In general, if a taxpayer takes a distribution from any type of IRA account before reaching age 59½, they must pay a 10 percent penalty on the early distribution (25 percent for SIMPLE IRAs). However, if they take a distribution from an IRA for qualified higher education expenses, they escape the 10 percent additional tax. Note some may owe income tax on a portion of the distribution.

The Internal Revenue Code provides the following education-related tax credits and deductions that will take some of the sting out of college expenses, even before the school year starts. **There may be an opportunity to prepay some expenses before year-end to claim a benefit, and remember that taxpayers are not allowed to claim a double benefit on the same expenses.**

- **American Opportunity Credit:** Enables a claim up to $2,500 per student per year for the first four years of post-secondary education; 40 percent of the credit is refundable.

offset taxable capital gains. In addition, consider harvesting capital gains by selling long-term capital gains to fill up the zero or 15 percent tax brackets.

Kiddie tax.

Under the TCJA, unearned income for anyone under age 19 or full-time students between ages 19-23 is now taxed at estate and trust tax rates over the $2,200 threshold. Advise clients to be careful with transferring income-generating investments to their children because their tax could go up under the new rules.

Miscellaneous tips:

- Contribute to a Flexible Spending Account if an employer offers a plan to take advantage of tax-deductible spending. If your clients already have an account, try to use up the funds by year-end or before the end of the grace period.
- Consider preparing a Form W-4 and doing a paycheck checkup to make sure income tax withholdings are accurate.
- To the extent possible, help clients to think about deferring income, and accelerating deductions and expenses to reduce their tax liability for the current year. They also can see if a year-end bonus can be paid in the following year and hold off exercising incentive stock options until after year-end.
- Encourage clients to start a tax preparation checklist to account for W-2s and 1099s, and to keep these records with prior-year tax returns. They also may consider investing in a scanner to maintain records electronically.

Be a Trusted Advisor

As you build your advisory services, it's important to point out the return on investment to your clients so they can see the value of the services with regard to how much they are saving versus how much it will cost them to do the extra work. Point out the fact that you're allowed to reduce their tax bill as long as you follow the law. Overall, the goal is to enhance your standing as your clients' trusted advisor to

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