

Tax & Financial Connector

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Year-end Tax Planning

Many taxpayers don't think of the year's tax consequences until they are closing their business' books in January or when they are preparing their personal returns in April. Once the calendar flips to January, it potentially is too late to take advantage of some helpful tax breaks and act on investment decisions that would benefit come Tax Day 2020.

Below are some considerations that businesses and individuals should contemplate as we reach December:

- **Timing of charitable contributions:** The Tax Cuts and Jobs Act overhauled the U.S. tax code and increased a married filing jointly couple's standard deduction to \$24,400 in 2019. With this increase, taxpayers may be losing the tax benefit of being charitable. While factoring your other itemized deductions, consider whether you can either accelerate or defer charitable contributions to "double up" one year to help get over the \$24,400 hurdle.
- **Timing of mortgage payments:** Under a similar premise, determine if it makes sense to remit your January 2020 mortgage payment before the end of 2019. A late-December payment could create thirteen mortgage payments for the year and eleven in the following year, which likely would increase your mortgage interest paid for 2019.
- **Contributions to 529 plans:** Saving for college via a 529 plan can provide a state tax deduction and allow for tax-free growth of your investment. Most states have a December 31 contribution deadline to afford a 529 plan state tax deduction in the given year.
- **Portfolio review of investment allocation:** The end of the year is a great time to review your investment portfolio and reallocate based on your investment strategies.

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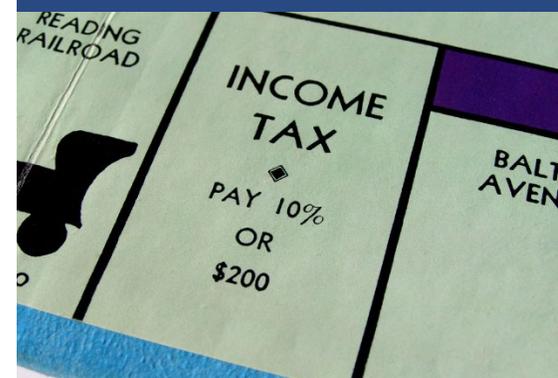
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PAGE 2 OF 2

- **Portfolio review of capital gains and losses:** The stock market has performed well during 2019, leaving several investors with strong capital gains. With the help of your financial advisor and CPA, consider what year-end transactions should occur to produce the most efficient tax result.
- **Retirement contributions and RMDs:** Depending on which side of retirement you may be on, you may be able to contribute more to your retirement accounts or have to take a required minimum distribution before year-end. Consulting with your financial advisor can help with this decision.
- **Review of health insurance policies and premiums:** Is having a low deductible and a high health insurance premium the correct approach, or is there a lost opportunity by paying a higher premium when that money could have been invested elsewhere? Is a health savings account or flexible spending account a potential solution for this? Open enrollment for most companies is around this time – consult with your financial advisor on what level of insurance may be best for you and your family.
- **Quarterly estimates:** For individuals, the federal fourth quarter estimated tax payment is due January 15, 2020. Most states follow that same deadline. For businesses, depending on the entity structure, the payment due date may be in December.

- **Business recognition of income and deductions:** Generally speaking, accelerating deductions will lower your business' taxable income. Consider whether now is the right time to update the office's equipment, computers, and furniture. You may be eligible to accelerate the deduction and depreciate the entire cost in 2019.

These are just some examples of potential year-end tax planning ideas. In our opinion, tax and financial planning is best done year-round when your advisors are interconnected, know your business and personal financial circumstances, and are all acting with your best interests in mind. Consider the importance of having your business and personal financial planner and CPA in-sync with each other throughout the year to efficiently manage your financial positions.

We hope everyone has a great holiday season and a Happy New Year! We look forward to continuing the conversation with you in 2020!

About Wolf Tax Advisory

Wolf Tax Advisory LLC is a tax, accounting, and business consulting practice based in Annapolis, MD. We believe in providing a five-star, full-service financial and tax advisory experience for our business and individual clients.

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