

# Ten Year-End Tax Tips for 2017



Presented by Greg Patterson

Here are 10 things to consider as you weigh potential tax moves between now and the end of the year.

**1. Set aside time to plan.** Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There is a real opportunity for tax savings if you will be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

**2. Defer income to next year.** Consider opportunities to defer income to 2018, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents and payments for services. Doing so may enable you to postpone payment of tax on the income until next year.

**3. Accelerate deductions.** You might also look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest and state taxes before the end of the year, instead of paying them in early 2018, could make a difference on your 2017 return.

**4. Factor in the AMT.** If you are subject to the alternative minimum tax (AMT), traditional year-end maneuvers such as deferring income and accelerating deductions can have a negative effect. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions. For example, if you are subject to the AMT in 2017, prepaying 2018 state and local taxes probably won't help your 2017 tax situation, but could hurt your 2018 bottom line. Taking the time to determine whether you may be subject to the AMT before you make any year-end moves could help save you from making a costly mistake.

**5. Bump up withholding to cover a tax shortfall.** If it looks as though you are going to owe federal income tax for the year, especially if you think you may be subject to an estimated tax penalty, consider asking your employer (via Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly through the year instead of when the dollars are actually taken from your paycheck. This strategy can also be used to make up for low or missing quarterly estimated tax payments.

**6. Maximize retirement savings.** Deductible contributions to a traditional IRA and pre-tax contributions to an employer-sponsored retirement plan such as a 401(k) can reduce your 2017 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so by year end.

**7. Take any required distributions.** Once you reach age 70½, you generally must start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you are still working for the employer sponsoring the plan). Take any distributions by the date required—the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of any amount that you failed to distribute as required.

**8. Weigh year-end investment moves.** You should not let tax considerations drive your investment decisions. However, it is worth considering the tax implications of any year-end investment moves that you make. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses over and above the amount of your gains can be used to offset up to \$3,000 of ordinary income (\$1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

**9. Beware the net investment income tax.** Do not forget to account for the 3.8% net investment income tax. This additional tax may apply to some or all of your net

investment income if your modified AGI exceeds \$200,000 (\$250,000 if married filing jointly, \$125,000 if married filing separately, \$200,000 if head of household).

**10. Get help if you need it.** There is a lot to think about when it comes to tax planning. That's why it often makes sense to talk to a tax professional who is able to evaluate your situation and help you determine if any year-end moves make sense for you.

*This material has been provided for general informational purposes only by Greg Patterson of Atlantic Wealth Management located at 712 Bridges Street, Morehead City, NC 28557. Mr. Patterson can be reached at 515-7800 or greg@myatlanticwealth.com. He offers securities and advisory services as an Investment Adviser Representative of Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Adviser. Information presented here has been developed by an independent third party, Broadridge Investor Communication Solutions, Inc., copyright 2017. Commonwealth Financial Network is not responsible for its content and does not guarantee accuracy or completeness, and it should not be relied upon as such. This material is general in nature and does not address your specific situation. For your specific investment needs, please discuss your individual circumstances with your representative. Commonwealth does not provide tax or legal advice, and nothing in the accompanying information should be construed as specific tax or legal advice.*

## PIKSCO Happenings

By Buz Jenkins

The flagpole donated to PIKSCO by the town is now up in McNeill Park and Old Glory is flying proudly over the northwest corner of the park. This project has been a joint venture between PIKSCO and the town. We would like to thank Sonny Cunningham and Howard Henderson from the town and the PIKSCO Board of Directors for their efforts on this project. The concrete pad at the base of the flagpole is oriented north, south, east and west to aid local and visiting boaters. The flagpole itself is a visible aid to navigation for boaters looking for the eastern entrance to our canals.

About a dozen Pine Knoll Shores veterans participated in the annual Morehead City Veterans Day parade on November 11. Thank you, veterans, for your service, and I enjoyed your company during this parade.

McNeill Park hosted the annual Turkey Trot on Thanksgiving morning. Lots of folks turned out for this run/walk event to burn off some calories before the day's big meal.

Plan on viewing the Christmas Flotilla at McNeill Park on December 9 at 5:30 p.m., and the Christmas parade, which will start at Garner Park on Saturday, December 16 at 10 a.m.

We mailed information to homeowners on recommended changes to the PIKSCO Covenants and By-Laws. If you haven't returned yours yet, please send in your vote.

We are always looking for residents who would like to serve and are willing to volunteer a few hours of their time and expertise. We need your help to keep PIKSCO parks looking good and to suggest changes that we can make to improve our life here in paradise.

**PIKSCO contact.** For questions, concerns, to express a willingness to volunteer or to provide feedback, contact Erica Reed at 247-4818, piksco@ec.rr.com, through the website at piksco.com or by mail at P.O. Box 366, Atlantic Beach, NC 28512. In addition, members may contact Buz Jenkins at 622-4554.

*In Memoriam*

Henry Ingram