

# 9 Reasons You Should Consult With Your CPA Before Year-End

**Teresa Sampleton, CLU, ChFC, CFP®**

**Vice President**

**Sampleton Wealth Management**

123 Main Street  
14th Floor  
New York, NY 10018

(888) 336-6884

tsampleton@sampletonwealth.com  
www.sampletonwealth.com



–By Debra Taylor, CPA/PFS, JD, CDFA

**While the national focus has been on uncertainty around the new tax law, there are many individual tax-planning opportunities you should consider before year-end to ensure you are getting the best deal while staying compliant.**

Although the Tax Cuts and Jobs Act of 2017 captured national attention, there are still plenty of tax-planning opportunities you need to pay attention to, particularly if there has been a change in your financial situation during the year. Good tax planning enables you to stay compliant while positioning yourself to pay as little in taxes as possible.

Reaching out to your CPA regarding specific tax planning ideas at the end of the year is always smart. Here are some common areas to consider regarding your tax situation as the year is wrapping up.

## **1. Compare income year over year**

**And don't forget about making quarterly estimated tax payments when newly retired**

Is this year shaping up to be better, worse, or similar to last year? Depending on the answer, you may need to adjust your withholdings and estimated tax payments, particularly if you are newly retired. As a result of the new tax law, there are revised withholding tables in 2018 that could decrease the amount you are required to withhold. On the other hand, you may need to make

additional quarterly tax payments if you owe more in taxes than the previous year, or risk a penalty for not paying enough taxes, unless you are otherwise in the “safe harbor.” Additionally, you should pay state property taxes before year-end to get a federal tax deduction (limited, of course, by the \$10,000 SALT deduction starting in 2018).

## **2. Any big sales this year from stock accounts?**

**Or has there been a rebalancing in taxable accounts?**

If so, keep an eye on the tax bill. This includes inherited investment accounts; you receive tax-free, but any subsequent sales are taxed. Don't wait until the end of the year to calculate the taxable gains and remember to consider harvesting losses to offset those gains.

## **3. Have you received an inheritance?**

Although the initial bequest is typically tax-free to the heir, any subsequent sales are taxed on your tax return. And, beware if you are named the beneficiary

of an IRA, annuity or company retirement plan, where the rules vary dramatically. You could be forced to take withdrawals as the original owner was, and taxed at her highest tax bracket. However, if you inherit a Roth IRA, payouts are tax-free over your life expectancy.

## 4. Have you bought, sold, or refinanced a house?

The profits from a sale of a principle residence are typically tax-free (up to \$500,000 for a married couple), but there are some wrinkles, so make sure you qualify. In addition, if you paid off a mortgage on which you were deducting points year by year, you can deduct the remaining balance this year.

And if you refinanced your mortgage it may be possible to generate amortization of points.

## 5. Visit your CPA before making any charitable donations

To confirm that you are taking advantage of all tax breaks available while simultaneously not incurring any penalties, make sure you see your CPA when considering charitable donations. For example, consider donating appreciated securities instead of writing out a check. If you are over age 70 ½, you can save money by transferring required minimum distribution (RMD) directly to a qualified charity, thus avoiding paying taxes on the withdrawal. The result would be a reduction in your taxable income. (But also be aware that the donation maximum is \$100,000 and you will not qualify for a charitable deduction when filing federal income taxes). All things considered, it is generally beneficial to make the contribution directly to the charity, rather than take the deduction.

## 6. Calling all newlyweds!

### And those who are recently widowed or divorced

Has there been a marriage, death or divorce? If you got married this year, you should consider how tax rates can increase for a two-earner couple or decrease for a single-earner couple. In addition, if one spouse of a newly married couple is jobless, the unemployed

spouse may be able to fund an IRA (despite his unemployed status) if the other spouse is working.

Beginning in 2019, alimony will no longer be deductible for the payor nor treated as income for the recipient. Divorce settlements need to reflect this. Also make sure you review who is able to deduct the dependents.

If you have been widowed this year, you can still file jointly for 2018 (next year you are required to file “single”), but you need to consider possible decreases of income and potential decreases in estimated tax payments. While filing jointly can increase the deductions you are entitled to, make sure to watch out for any possible negative repercussions. You should also review all sources of income with your advisor to ensure that you get what you are entitled to from the estate and that you understand the distribution rules.

## 7. Special tips for parents of college students and recent grads

The American Opportunity Tax Credit gives parents of college students a tax break worth up to \$2,500 of tuition per eligible student for the first four years of college. And recent mid-year grads (or anyone who will not work more than 245 days this year) can request their employer use a part-year method to pay them, which will result in employers’ withholding less money, leaving more for you.

## 8. Newly retired? Take control of your tax bracket

Discuss tax bracket management with your CPA, so that you are remaining within (and using up as much of) your current tax bracket as possible, whether that is the 10% tax bracket or a higher tax bracket. These strategies could include maxing out on pretax retirement accounts, and also taking withdrawals from qualified accounts so that you are converting pretax dollars to after-tax dollars, potentially at a lower rate.

However, if you need more income, you should consider doing one or more of the following: withdrawing cash (tax-free) through loans on a universal life insurance policy (although this will deplete the policy’s value),

taking out a home equity line of credit (although interest is no longer deductible), or deferring Social Security benefits to reduce long-term tax costs.

---

*Debra Taylor, CPA/PFS, JD, CDFP, writes on tax and retirement planning for Horseshoeth, an independent organization providing unbiased insight into the critical issues facing financial advisors and their clients.*

## **9. Consider how the Tax Cuts and Jobs Act of 2017 affects your tax situation**

The tax bill signed into law at the end of 2017 brought some of the most sweeping changes seen in the past 30 years. Perhaps most notably, the standard deduction was doubled, meaning you will need to carefully consider how to maximize your deductions. A host of other changes involve state and local taxes, medical expenses, alimony payments, and more.

In short, the new tax law hasn't really simplified anything, but there are still plenty of opportunities for tax planning and savings, so continued vigilance is definitely in order!

---

Advisory Services offered through Sampleton Wealth Management LLC, a Registered Investment Advisor.