There's still time to lower your tax bill next year

These 3 strategies can save you money come April

Beth Braverman (https://considerable.com/contributor/beth-braverman/) | 7 hours ago

Taxes probably aren't at the top of your mind this time of year. But taking time to make a few smart moves right now just might bring you some holiday-like cheer when you're filing your taxes next spring.

The tax bill passed at the end of 2017 might feel like old news by now, but since it actually went into effect for your 2018 taxes, this is the first year your taxes might look a little different.

The biggest changes from the new law: overall tax rates were dropped, and the standard deduction nearly doubled, meaning that fewer people will benefit from writing off eligible expenses such as medical costs, mortgage interest and charitable gifts. "We're expecting a lot fewer people to itemize this year," says Alison Flores, principal tax research analyst with H&R Block.

With that said, there are still ways to capitalize on the new rules in order to lower your tax bill. But you've got to act fast.

Bunch your deductions now...

The 2017 law nearly doubled the standard deductions from $12,700 to $24,000 for married couples filing jointly, and from $6,350 to $12,000 for individual filers. Taxpayers 65 and older, can take an even higher deduction. Single filers

filers. Taxpayers 65 and older* can take an even higher deduction. Single filers can take an extra $1,600 for single filers, and each member of a couple who is 65+ can take $1,300 (or $2,600 if both are 65+).

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Given that, you need to start by calculating your current deductions to make sure it still makes sense to itemize your 2018 taxes. Keep in mind that you may have fewer deductions this year than you think, since the tax law eliminated some big ones.

The state and local tax deduction, for example, is now limited to a cap of $10,000—including income and real estate taxes. And interest on home equity loans—formerly always deductible—is now only eligible if the money was used for home improvement.

If your deductions still amount to more than the standard deduction you can potentially cross the threshold with a strategy known as bunching, or deliberately moving extra deductible expenses into this tax year. You might, for example, increase your charitable contributions or move up your January mortgage payment.

Confident you’re going to itemize for 2018? Then bunching could lower your tax bill even further.

> **The state and local tax deduction is now limited to a cap of $10,000.**

If you’re close to hitting the threshold for deducting medical expenses (currently 7.5% of adjusted gross income, rising to 10% next year), see if you can squeeze in some doctor’s visits or schedule a procedure.

If you’re looking to bunch your deductions via charitable giving, you may want to consider a donor-advised fund. These popular planned giving accounts—available at large brokerage firms such as Fidelity and Schwab, with a typical minimum donation of $5,000—allow you to take a deduction for the entire donation in one fell swoop, then parcel out the contributions to specific charities over time.

…or hold off until next year

Conversely, if you’re well below the standard deduction, you might consider putting off these types of tax moves until next year, effectively bunching all of your deductions into 2019 so that you’re able to itemize next tax season.

Keep in mind, however, that the threshold for writing off medical expenses will go up to 10% next year.

“Sometimes people double up their expenses every other year to get them over the hump of the standard deduction,” says Cindy Hockenberry, an enrolled the hump of the standard deduction," says Cindy Hockenberry, an enrolled agent and director of tax research and government relations with the National Association of Tax Professionals. "That strategy has been around for a long time, but it's even more relevant now that the standard deduction is higher."

Check your portfolio

The upside of the recent volatility in the stock market is that there might be opportunity for you to rebalance your portfolio and get some tax benefits while you're at it. "A lot of investors have an aversion to losses, so tax-loss harvesting is a great strategy to consider this year," says Rob Williams, VP of Financial Planning at Charles Schwab.

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>
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The rules for taxing investment gains didn't change much under the recent tax law: stocks held for a year or less are taxed at your ordinary income rate, while those held for over a year are taxed at your long-term capital gains rate, which varies depending on your taxable income.

Either way, you can reduce your tax bill by selling stocks that have lost value, and writing those off against taxable gains on other investments.

In addition, if you have more losses than gains, you can write off up to $3,000 in capital losses against ordinary income.

Still sitting on a bunch of gains? You may want to make a charitable gift of some of your big winners, especially if it allows you to pass the threshold for itemizing your deductions.

Or, if you're planning to retire in the next couple of years, consider holding off: The rates for capital gains are tied to your income, so if your income is due for a fall, the amount you'll be taxed on your appreciated stocks will fall, too.

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Beth Braverman is an award-winning freelance journalist and content producer, writing mostly about personal finance, p... Continue Reading (https://considerable.com/contributor/beth-braverman/)