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Year-end Tax Steps That Can Save You Money

December is here. Did you take advantage of all the tax planning - and minimizing - opportunities available to you in 2016? Even though it's late in the year, you still have the chance to reduce your tax burden. The Tennessee Society of CPAs offers tips on just a few of the options you can use to keep more money in your pocket.

Manage Your Income and Deductions

If you expect your economic situation to change next year, you may want to consider managing when you receive income or take deductions. If your income may go down, take this last chance to postpone invoicing for freelance or consulting income or to put off any other earnings you can delay. You may also consider taking qualified deductions before yearend so that you can claim them against your higher 2016 income. The opposite would be true, of course, if you think your income will go up in 2017.

Check Your Withholding

Consider adjusting your withholding status if you received a tax refund in 2016. If you lower your withholding amount you may not get a refund, but you'll get more money in each paycheck rather than at tax time, which means you can immediately channel it into an interest-bearing savings account or other investment. You can do the same with your tax refund check, of course, but you miss out on the interest you could have earned throughout the year. Conversely, consider raising your withholding if you expect to receive extra income in the year. On another front, did you experience milestone events - such as a marriage or the birth of a child - in 2016 or expect to do so in 2017? They can affect your tax situation and your withholding status, as well, so make sure to factor them into your decisions.

Manage Your Retirement Planning

You have until April 17, 2017, to make contributions to a qualified retirement plan and deduct them on your 2016 return. You can contribute up to $18,000 to a 401(k), 403(b) and many profit-sharing plans (and another $6,000 if you're age 50 or older). If you contribute to an individual retirement account, you can set aside up to $5,500 (plus $1,000 more if you're 50 or older). Don't postpone building a secure retirement. If you're just getting started, talk to your CPA about the best retirement savings strategy for you.

Take Your RMDs

If you're age 70½ or over, you must take required minimum distributions (RMDs) from certain retirement accounts each year. Those distributions are generally included in your taxable income, but you can't skip them even if you don't need the money or you'll face a 50% excise tax on the amount not distributed as required. If you don't need your RMD for income, consider contributing some or all of it directly from your IRA to a charity in what's known as a qualified charitable distribution (QCD). You can donate up to a maximum of $100,000. The amount of the RMD you donate will not be included in your taxable income.

Your CPA Can Help

Comprehensive tax planning can not only help you minimize your tax bite, it can also help you identify and address a number of important financial planning concerns. Turn to your local CPA for expert help with taxes and other financial issues.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit *www.tscpa.com*. TSCPA is headquartered in Brentwood, Tenn.