



*Transferring  
wealth & wisdom  
from generation  
to generation*



*Edward E. Wollman, JD, LL.M. / Adam M. Gross, JD*  
WOLLMAN, GEHRKE & ASSOCIATES, P.A.

## IT'S TIME TO THINK ABOUT TAXES

### *Year-end Federal and State Tax Strategies*

While there are many year-end tax strategies that stand the test of time, with the recent changes to the federal tax code, it is imperative to understand which changes provide new opportunities and which changes may bring about unintended consequences.

The following is a quick checklist including tax strategies, reminders and immediate action steps you may take to ensure you can start 2019 on the right foot.

#### **Year-end tax strategies checklist**

**Charitable Rollover** - Instead of taking out money from your IRA and other retirement accounts and then gifting money to charity, you can direct the funds directly to your favorite charities from your retirement account. This will result in a lower Adjusted Gross Income (AGI) and maximize your charitable income tax savings (even in a year when you are not itemizing your deductions). The maximum Charitable Rollover is \$100,000 per year. This can also go toward your Required Minimum Distribution (RMD) for the year.

**Harvest losses** - Talk to your advisors about selling off assets that have a loss in value and use the losses to offset the gains from the sale of assets that have increased in value. The idea is to pay little to no taxes on the combined transactions. Get rid of poor performers and replace them with new investments in the new year.

**Bunch deductions** - With the new doubled Standard Deduction (\$24,000 for a couple), you may not need to list or itemize your deductible expenses on your income tax return; therefore, if you have large expenses that can be bunched into alternate years, you may wish to take the standard deduction in alternative years and itemize in the other years. For example, you could give large charitable gifts every other year when you can enjoy itemizing and make few gifts in the year that you use the Standard Deduction.

**Defer income** - If you can control the timing of receipts of bonuses and large sporadic income, then postpone it until January to have an additional year before having to pay the tax on the deferred income.

**Roth your IRA** - It is never too late to decide to pay taxes now on your IRA and convert it to a tax-free Roth. That said, the rules are complex, and a tax advisor should run the numbers to see if a Roth Conversion makes sense.

#### **Still employed?**

**Maximize your contributions to your retirement plan** - Contributions to retirement accounts including IRAs and Roth IRAs can greatly reduce taxes and provide great psychological and financial well-being. If your children and grandchildren cannot afford to maximize their contributions, ask your advisors how you might help them accomplish this goal.

**Maximize your contribution to your Health Savings Account** - Like an IRA, contributions to a Health Savings Account (HSA) and equivalent accounts allow taxpayers to put away pre-tax dollars and pay for medical care with pre-tax dollars.

#### **Things to remember!**

**Required Minimum Distribution** - If you are over 70 & 1/2 you will have a huge 50% penalty on failure to take the required distribution from your retirement account by the deadline for distributions.

**Charitable gifts** - Of course, the more you give to charity, the bigger your tax write-off and the fewer taxes you will owe. The rules are complex so, ask your advisor which charitable technique is best.

Cash is easiest, however, appreciated securities may be the best thing to gift to charity.

**Gifting** - If you have a taxable estate, then gifting a maximum annual exclusion gift of \$15,000 to each person in your family (outright or in a specially designed Crummey type trust) is enormously important to chip away at your gift, estate, and generation-skipping transfer tax.

#### **Your administrative action plan**

**5/5 withdrawal rights** - Determine if any trust which you are the trustee or beneficiary has special withdrawal powers. If so, analyze whether removing these assets from the trust(s) makes sense.

**CRT/CLT distributions** - If you are a trustee or beneficiary of a charitable remainder or lead trust you must comply with the periodic distributions mandated by the trust.

**Trust distributions to pull out Distributable Net Income** - If you are a trustee or beneficiary of a trust, it is essential that you make the appropriate annual distributions to push out the Distributable Net Income (DNI) to the beneficiary and report the same on a K-1. This often shifts the income to a taxpayer in a lower tax bracket than the trust tax bracket.

**Lock in income, gift and estate tax benefits while they last** - In other related articles we discuss the major new tax changes including many benefits that expire in a number of years. Take advantage of these extremely favorable options while they are still available.

**Crummey Letters and annual accounting** - If you are a trustee or beneficiary of a trust, there are several annual administrative tasks, such as sending notice of right to withdraw assets and providing a reasonable accounting of the year's activities.

**Change of domicile evidence** - If you have just relocated to Florida, lock in the very favorable real estate tax savings by declaring Florida your domicile and filing for homestead tax exemption.

As we approach the end of the fiscal tax year, take the time to sit with your CPA and discuss year-end tax strategies. Feel free to share this list and consider these key items that may have an impact on your financial and psychological well-being.

Visit [www.probate-florida.com](http://www.probate-florida.com) to read more about this subject and other estate planning matters.

*Ed Wollman is a Florida Bar Board certified Attorney specializing in wills, trusts, and estates with over 26 years of experience practicing in the state of Florida.*

*Adam M. Gross, JD, is a graduate of Emory University School of Law. He focuses his practice on estate planning, business planning, trust and probate administration, elder law, and guardianship.*

*Where Today's Plans Become Tomorrow's Legacy*

2235 VENETIAN CT #5, NAPLES, FL 34109  
(239) 435.1533 — (239) 435.1433 FAX