

Accelerating Income into 2016

Depending on your projected income for 2017, it may make sense to accelerate income into 2016 if you expect 2017 income to be significantly higher. Options for accelerating income include: (1) harvesting gains from your investment portfolio, keeping in mind the 3.8 percent NIIT; (2) converting a retirement account into a Roth IRA and recognizing the conversion income this year; (3) taking IRA distributions this year rather than next year; (4) if you are self-employed and have clients with receivables on hand, try to get them to pay before year end; and (5) settle any outstanding lawsuits or insurance claims that will generate income this year.

Deferring Income into 2017

If it looks like you may have a significant decrease in income next year, it may make sense to defer income into 2017 or later years. Some options for deferring income include: (1) if you are due a year-end bonus, having your employer pay the bonus in January 2017; (2) if you are considering selling assets that will generate a gain, postponing the sale until 2017; (3) delaying the exercise of any stock options; (4) if you are planning on selling appreciated property, consider an installment sale with larger payments being received in 2017; and (5) consider parking investments in deferred annuities.

Deferring Deductions into 2017

If you anticipate a substantial increase in taxable income, it may be advantageous to push deductions into 2017 by: (1) postponing year-end charitable contributions, property tax payments, and medical and dental expense payments, to the extent deductions are available for such payments, until next year; and (2) postponing the sale of any loss-generating property.

Accelerating Deductions into 2016

If you expect a decrease in income next year, accelerating deductions into the current year can offset the higher income this year. Some options include: (1) prepaying property taxes in December; (2) making January mortgage payment in December; (3) if you owe state income taxes, making up any shortfall in December rather than waiting until the return is due; (4) since medical expenses are deductible only to the extent they exceed 10 percent (7.5 percent for individuals age 65 before the end of the year) of adjusted gross income, bunching large medical bills not covered by insurance into one year to help overcome this threshold; (5) making any large charitable contributions in 2016, rather than 2017; (6) selling some or all loss stocks; and (7) if you qualify for a health savings account, setting one up and making the maximum contribution allowable.