Year-End Tax Planning Tips

As we close in on the end of 2024, it's the perfect time to take proactive steps to optimize your tax situation. By implementing some strategic moves before December 31st, you can potentially reduce your tax liability. Here are a few year-end tax planning tips to consider:

1. Make Charitable Donations**

Charitable donations are not only a great way to support causes you care about, but they can also provide valuable tax deductions. Ensure that your donations are made to qualified charitable organizations and keep receipts for your records. Consider donating appreciated stock instead of cash, as this can offer a double tax benefit—avoiding capital gains tax while still receiving a charitable deduction for the fair market value.

2. Maximize Retirement Contributions

Contributing to retirement accounts is one of the most effective ways to reduce your taxable income. For 2024, you can contribute up to $6,500 to an IRA ($7,500 if you're 50 or older) and up to $22,500 to a 401(k) plan ($30,000 if you're 50 or older). These contributions not only lower your taxable income but also help you build a more secure retirement.

3. Review and Adjust Your Withholding

Check your tax withholding to ensure you're not under- or over-withheld. If you received a large refund or owed a significant amount last year, consider adjusting your W-4 form with your employer. This can help you avoid surprises when you file your taxes and ensure you're not giving the government an interest-free loan.

4. Harvest Tax Losses

If you have investments that have declined in value, consider selling them to realize a capital loss. These losses can offset capital gains and up to $3,000 of other income ($1,500 if married filing separately). This strategy, known as tax-loss harvesting, can be particularly beneficial in reducing your overall tax burden.

5. Pay Medical Expenses**

If you have significant medical expenses, consider paying for them before the end of the year. Medical expenses are deductible to the extent they exceed 7.5% of your adjusted gross income (AGI). Bunching these expenses into one year can help you surpass this threshold and maximize your deduction.

6. Defer Income

If possible, defer income to the next tax year. For example, if you're expecting a year-end bonus, see if it can be paid in January instead of December. This can help you manage your taxable income and potentially lower your tax bracket for the current year.

7. Utilize Flexible Spending Accounts (FSAs)

If you have a Flexible Spending Account, ensure you use the funds before the year ends, as many FSAs have a "use it or lose it" policy. Some plans offer a grace period or allow you to carry over a limited amount, but it's crucial to know your plan's rules and spend accordingly.

8. Pre-pay 2025 Property Tax**

If you are taking advantage of itemizing your tax return, by doubling up on planned expenses, you can maximize your deductions. Pay your 2024 and 2025 property taxes in 2024 and both are deductible on this year’s tax return.

9. Review Your Tax Situation

Take the time to review your overall tax situation and consider any life changes that may affect your taxes, such as marriage, divorce, or the birth of a child. This review can help you identify additional tax-saving opportunities and ensure you're prepared for the upcoming tax season.

*****Deductions marked with ** are only useful if you are able to itemize deductions on your return. Consult with your tax specialist to determine if this is your situation for 2024.***