IMPORTANT 2017 TAX PLANNING STRATEGIES

This is a unique year. Both the senate and the house have passed different tax bills, which will not become law unless they agree to merge them and the president then signs the merged bill; therefore, we look at planning without knowing if the bill will actually become law. Because most people believe the bill will pass, we have studied the new law proposal and have found some important provisions that allow for some unusual planning that you can do in 2017 before the year is over.

For example –

- As the law currently exists, you can take the standard deduction allowed by the IRS of $6,350 for singles or $12,700 for married filing jointly, but the new law raises it to $12,000 for singles and $24,000 for married filing jointly.

- The new law limits the deduction for state, local, sales and real estate taxes to $10,000 and eliminates miscellaneous itemized deductions, including fees paid to manage your investments. That will leave most people with only the following three deductions:

- Taxes (limited to $10,000 a year)
- Mortgage interest (limited to interest on mortgages of up to $750,000). Home equity line of credit interest will no longer be deductible.
- Charitable contributions

The problem for many people is that they would not be able to itemize or barely be able to to itemize if the deductions were limited to just those three deductions and the standard deduction were raised. For many of you, you will never itemize the deductions again, meaning that you will only take the standard deduction beginning in 2018. That would mean that neither your real estate taxes nor your charitable contributions would be of much benefit you. If you fall into that mode, then you can still save on taxes in 2017 by taking a few important steps before the end of this year, as follows:

1. You can pay real estate taxes this month that you would normally pay in 2018 by paying 100% of the amount of the bill you receive. If you don't live in Cuyahoga County, you should pay enough to make sure you are paid through the 2018 tax year. (Note: That only works if you do not pay alternative minimum tax).

2. You can prepay your 2018 charitable contributions. You can do this by just contributing some or all of them by 12/31/17, or you can start a donor-advised fund. (You can do this through the Jewish Federation , the Cleveland Foundation or through Fidelity online.) This would allow you to make multiple years of charitable contributions now, take the deduction for 2017, and still wait to disperse the contributions from the fund to your charity until you are ready. For example, if you normally give $5,000 a year to charity, you might want to contribute five years' worth, or $25,000, to a donor-advised fund, which will be controlled by you. You would get the full deduction in 2017, which could save you up to $9,750 in tax in 2017. You can also contribute one or two years' worth of contributions if you wish. This makes sense if you look ahead and determine that, beginning in 2018, you will lose most or all of the benefit of your charitable contributions because you won't be itemizing your deductions and will

only be taking the standard deduction.  You could also super-charge this one-time deduction by donating your most highly appreciated stocks to the donor-advised fund and, thereby, never have to pay the tax on the gain when you sell it.

3. You can prepay any investment advisory fees for 2018 or fees for financial plans. Some investment firms will allow you to prepay part, if not all, of your 2018 fees in 2017. This strategy only applies if you will not be subject to AMT for 2017 and if you have enough miscellaneous itimized deductions to make them deductible.

4. If you own a pass-through company that is not in a service industry, we expect you be able to deduct part of the company's income in 2018, thereby allowing you to pay less tax on your business income in 2018; therefore, we recommend that you defer as much business income into 2018 as possible and take as many expenses in 2017 as you can.