

Why It's Time to Start Tax Planning for 2016



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Now that the April 18 income tax filing deadline has passed, it may be tempting to set aside any thought of taxes until year end is approaching. But don't succumb. For maximum tax savings, now is the time to start tax planning for 2016.

More opportunities

A tremendous number of variables affect your overall tax liability for the year. Starting to look at these variables early in the year can give you more opportunities to reduce your 2016 tax bill.

For example, the timing of income and deductible expenses can affect both the rate you pay and when you pay. By regularly reviewing your year-to-date income, expenses and potential tax, you may be able to time income and expenses in a way that reduces, or at least defers, your tax liability.

In other words, tax planning shouldn't be just a year-end activity.

More certainty

In recent years, planning early has been a challenge because there were a lot of expired tax breaks where it was uncertain whether they'd be extended for the year. But the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) extended a wide variety of tax breaks through 2016, or, in some cases, later. It also made many breaks permanent.

For example, the PATH Act made permanent the deduction for state and local *sales* taxes in lieu of state and local *income* taxes and tax-free IRA distributions to charities for account holders age 70½ or older. So you don't have to wait and see whether these breaks will be available for the year like you did in 2014 and 2015.

Getting started

To get started on your 2016 tax planning, contact us. We can discuss what strategies you should be implementing now and throughout the year to minimize your tax liability.