Kurt Piwko: Welcome to Tax Talk. I'm Kurt Piwko, a partner with our National Tax Office. I'm here today with Steve Eckert, another member of our National Tax Office, and we're talking about tax reform, specifically planning opportunities for individuals to consider yet, before year end. Steve, before we get into the details, why don't you give us an update of what's going on?

Steve Eckert: Well Kurt, we finally got the final legislation heading through congress, so it looks like at this point, it's virtually certain to pass here over the course of this week and be signed into law. That gives us a pretty tight window here before year end with the new bill that would largely be effective for the 2018 year. There's a week and a half or so here left before the end of this year where individuals could look for some planning opportunities.

Kurt Piwko: What are some of the biggest planning opportunities that you're seeing in response to the legislation right now?

Steve Eckert: I guess stepping back, the biggest thing we're looking with this legislation are for individual's declining tax rates. Some of the tax rates lower the top tax rate. With that comes an increasing standard deduction, which would probably limit the impact of itemized deductions for a number of tax payers. With that, we've seen a number of item specific itemized deductions that people typically relied upon are either being limited or eliminated. One of them is the state and local tax deduction. Historically that's been largely fully deductible, but now there's a 10,000 dollar cap is going to come into place, which would apply to both income taxes and real estate taxes. I know you've got a lot of questions about this too right?

Kurt Piwko: Certainly. Hearing from clients most frequently as kind of, "What can I really do here? Can I go so far as to take my 2018, '19 taxes, and pay those today if I'm not going to be able to deduct them in the future?" Congress made pretty clear in the bill that you cannot do that, so you certainly can't pull ahead taxes to that extent, but certainly there's a lot of opportunity here to take any taxes that you would otherwise owe for '17, whether those are fourth quarter estimated payments, or just property taxes that you normally pay shortly after year end, or just any other taxes due for '17 and make sure they're actually paid by the end of the year.

Steve Eckert: Right, so I guess, when we step back and think about that, the biggest thing is making sure you're not in AMT. So any taxpayers that are in an AMT situation in '17, wouldn't necessarily get a benefit of increased deductions for this year, but if you're not in that scenario, pull as many 2017 state and local payments into the 2017 year. If it's a 2018 income tax, or potentially some other types of state and local taxes, those may not be deductible into 2017. That's probably off the table a little bit. I guess, what else are you seeing for other opportunities?

Kurt Piwko: I think, outside of the taxes, the next biggest one that I'm hearing the most about and talking the most about is the other bigger itemized deductions that aren't necessarily you know repealed going forward, or substantially limited like taxes will be. But where to your point, the standard deduction doubling on a go-forward basis, it's projected that more than 90 percent of taxpayers going forward are not going to itemize deductions. Making charitable contributions, or mortgage interest payments, and that, simply won't provide a benefit going forward, if you're not actually itemizing deductions.

Steve Eckert: Yeah, so I guess really trying to bunch any of those deductions into the 2017 year, or for example, the medical expense deduction with the lower floor for 2017 is going to apply. Really, you get a double benefit there. Lower floor for all taxpayers, plus you can bunch the deductions into 2017 and get a nice benefit.

Kurt Piwko: Yeah, so I think charitable contributions probably becomes the most powerful one of those, only because it's so flexible. You decide what and when you donate. To the extent you make normal, annual contributions to a lot of organizations. You could very easily take your contributions you were going to make in '18, and just make them in '17 instead. You'll hopefully get the deduction in '17 because you itemize, and to the extent you don't itemize in '18, you just got a permanent tax savings as a result of doing that.

Steve Eckert: Yeah, that makes sense. I guess the only other thing out there is to try to defer income. In some scenarios, I know there's been a lot of questions about, "Hey, could you talk to your employer about potentially pushing bonuses into the next year." There may be situations where you could defer income under that type of planning technique.

Kurt Piwko: Yeah, a lot of employers are actually talking about doing that kind of voluntarily, or at least entertaining it, and kind of asking about what employees would prefer. Because certainly that's a pretty powerful one. It becomes a little tough to change the timing for a lot of individuals. You often don't have a lot of control over the when, for example, an employer is paying payroll. But there are some other areas, say like retirement plan, distributions for examples. You often have a lot of flexibility around when you take those distributions from a retirement plan, or an IRA, or other things. That kind of thing, if you were already going to take some distributions in the foreseeable future, pushing those into 2018 could be also a pretty powerful planning technique as well.

Steve Eckert: All right, great.

Kurt Piwko: That's it for this episode of Tax Talk. You can look for future episodes at plantemoran.com. Thanks for listening.