**BizBoost News  
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**9 Things to Do Before Year-End to Reduce Your Tax Bill**

Who doesn’t want to pay fewer taxes? The key to minimizing your tax bill is to plan ahead and select the strategies that work for your situation. When April 15, 2023 rolls around, it’s simply too late for tax planning, so now is the time to be proactive and save on your 2022 taxes.

Here are nine ideas to try.

1. **Maximize Retirement Contributions Through Your Employer’s 401(k) Plan**

This type of plan allows you to contribute pre-tax dollars to retirement, and contributions directly reduce taxable wage income. While contributions to IRAs and other types of retirement accounts can be done after year-end/up through the due date of your tax return, deferrals through an employer 401(k) plan must be completed by year-end, so make sure you will be able to contribute the desired amount for the year by 12/31. For tax year 2022, you can contribute up to $20,500 if under age 50, and $27,000 if 50 or older by year-end.

1. **Harvest Investment Losses to Offset Capital Gains**

If you have sold stock or other property that has generated capital gains, consider whether you have investment losses you can generate before year-end to reduce the overall capital gain you report/pay tax on. For example, if you have stock you’ve held for some time that has consistently been in a loss position, selling by year-end will allow you to offset those other capital gains – and also possibly find a better use for those funds that were invested.

It is always ideal to time capital gains and losses in the same year if you can because they can offset each other, and you are only able to deduct up to $3,000 of overall loss per year. So, if you have a large capital gain in one year and a large capital loss in the next, you will have had to pay tax on that capital gain in that first year, but then might not fully realize the benefit of the loss in the latter year for a number of years, because of that $3,000 per year limitation (unless other capital gains come up to offset it). If they happen in the same year, they would be netted together and the tax benefit would be fully received in the current year. Timing is everything!

1. **Bunch Deductions So You Can Itemize**

Because the Tax Cuts and Jobs Act (TCJA) both increased the standard deduction and capped the deduction for state and local income taxes paid when itemizing at $10,000, many taxpayers are finding that they benefit more from taking the standard deduction. However, this prevents them from receiving any direct benefit/deduction for certain expenses, like charitable donations and health care costs over a certain level. One way around this is to strategically time the payment of these costs so you can bunch them together and take advantage of itemizing deductions every other year. For example, if you already made donations earlier in the year and know that you plan to for 2023, consider paying your 2023 donations early/by year-end 2022 in order to exceed the standard threshold and take advantage of itemizing for the upcoming tax year.

1. **Defer Income**

If you are self-employed or an independent contractor, consider delaying invoicing clients for work to time it so you receive the income in January 2023 instead of December 2022. This will allow you to keep that income off of your 2022 return, and therefore hold off on paying tax on that income for another year.

1. **Donate Appreciated Stock to Charity**

The benefits of doing this are two-fold: you avoid capital gains/tax and also receive a charitable deduction for the appreciated value of the stock. Just be sure that you are actually going to itemize and won’t be taking the standard deduction, because the charitable deduction benefit is only available to you if you itemize deductions.

1. **Purchase Business Equipment**

If you are a business owner and have been thinking about purchasing equipment for your business (machinery, computers, software, a vehicle, etc.), now is the time to do it! With the expanded accelerated depreciation options that came out of the Tax Cuts and Jobs Act (which will be reduced in future years), many of these items qualify for significantly higher deductions – possibly even 100 percent. Whereas in prior years you may have had to deduct the cost of these items over a number of years, you will now likely be able to deduct them fully in the year purchased, or at least take a much higher first-year deduction. This will reduce the profit of your business, which directly reduces your taxable income and tax liability.

1. **Install Solar Panels**

Consider installing solar panels on your home prior to year-end to take advantage of the newly enhanced solar tax credit. When you install a solar system, 30 percent of your total project costs can be claimed as a credit on your IRS tax. So, if you spend $10K on the system, you will directly reduce your tax bill by $3,000.

The 30 percent credit will be in effect through 2032, after which the credit decreases to 26 percent for systems installed in 2033 and 22 percent for systems installed in 2034. The tax credit expires in 2035 unless renewed by Congress.

1. **Invest in a Qualified Opportunity Zone Fund**

As part of the Tax Cuts and Jobs Act, taxpayers can now defer payment of capital gains tax to 2026 by investing the proceeds of a sale in a qualified opportunity zone. These zones are located all over the country and were designated as areas that would benefit from economic development. Tax can be deferred on the portion of the gain that was used to benefit the distressed zone.

The investment must be made within 180 days of the sale that generated the capital gains, so if you’ve already had a property sale in 2022 and would like to explore this, you’ll want to pay attention to the timeframe and act accordingly.

1. **Meet With Your Tax Professional to Review Your Projected Tax Bill and Discuss Strategies**

It can be extremely beneficial to meet with your tax professional *before* year-end and review a projection of your tax situation for the year, discussing possible strategies for reducing your tax bill. You may be able to strategize to get yourself in a lower tax bracket and allow for taking advantage of more deductions and credits, which might not be available to you at a higher income level.

In order for your tax professional to project your tax liability for the year, you’ll need to provide information regarding your income for the year – pay stubs, Profit & Loss reports if you have a business, information regarding investment income, as well as details regarding any other types of income or any changes to your situation from the prior year.

Schedule a time with your tax professional in November or early December so you have time to take any necessary actions to reduce your tax bill for the year!

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Tweets

Insert a link to your newsletter, website or blog before you post these:

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When April 15, 2023 rolls around, it’s simply too late for tax planning, so now is the time to be proactive and save on your 2022 taxes! Learn more in our latest blog article: [link]

#BusinessTip: If you are a business owner and have been thinking about purchasing equipment for your business, doing it now can reduce your tax bill! With the expanded accelerated depreciation options that came out of the Tax Cuts and Jobs Act, many equipment items qualify for significantly higher deductions. Learn more: [link]

#TaxTip: Schedule a time with your tax professional in November or early December so you have time to take any necessary actions to reduce your tax bill for the year! Learn more about how to starting preparing for tax season here: [link]

DID YOU KNOW… One way to reduce your tax bill is to maximize retirement contributions through your employer’s 401(k) plan. This type of plan allows you to contribute pre-tax dollars to retirement, and contributions directly reduce taxable wage income. For tax year 2022, you can contribute up to $20,500 if under age 50, and $27,000 if 50 or older by year-end. Learn more here: [link]

It can be extremely beneficial to meet with your tax professional before year-end and review a projection of your tax situation for the year, discussing possible strategies for reducing your tax bill. Learn more in our latest blog article: [link]

DID YOU KNOW… By getting started early, you may be able to strategize with your tax professional to get yourself in a lower tax bracket and allow for taking advantage of more deductions and credits. Sign up for our newsletter to learn more: [link]