

PERSONAL TAX YEAR END TIPS

To know the tax savings of any strategy, you will need to know your tax rate. Business by Design can help you properly determine the value of a deduction or tax strategy by preparing a year-end tax review for your situation. All of the following suggestions should be discussed with Business by Design to ensure maximum tax value and proper implementation.

A NOTE ON REDUCING YOUR TAXES:

- Anything you can do to lower your income usually is a good thing when considering tax planning.
- HOWEVER, sometimes a case can be made for keeping your income higher in one year, and postponing deductions to a later year, if you think next year's income would be much higher.
- The only way to properly plan is to have a tax review prepared by Business by Design. We will help you determine the best course of action.



TIP #1: MN TAX PAYMENTS:

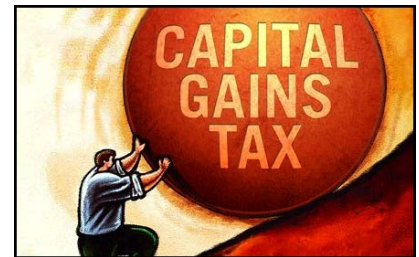
- Your MN income tax payments can be a Federal tax deduction.
- NOTE: If you are subject to Alternative Minimum Tax (AMT), you may not want to pay your MN income taxes in the year the AMT will apply.

TIP #2: STOCK LOSSES:

- You can deduct up to \$3,000 of stock losses each year.
- If you have more than \$3,000 in stock losses, the balance will be carried forward to 2018 or used to off-set future capital gains.
- Capital losses can be carried forward for 20 years.
- Real Estate capital gains can offset other capital losses.

TIP #3: ZERO PERCENT FEDERAL CAPITAL GAIN RATE:

- Consider taking a capital gain in 2017.
- If you are in the 15% income tax bracket or less, your Federal capital gain tax rate is 0%. Only state tax will apply.
- If you are in a 35% tax bracket or lower, you will have a 15% Federal capital gain tax rate, plus your state rate.
- REMEMBER: If your income is over \$250K (MFJ) or \$200K (Single) – you will have an additional 3.8 Medicare tax on your investment income.



TIP #4: CHARITABLE CONTRIBUTIONS:

- All donations must be to a "Qualified Non-Profit" organization.
- Cash Contributions: You will need to be sure you have a canceled check for your cash contributions or a receipt.
- Non-Cash Contributions: A good way to pick up some tax savings is to go through your storage and donate any unused items (clothing, furniture, etc.) You can deduct the fair market value of these items donated.



TIP #5: INCREASE YOUR MORTGAGE INTEREST DEDUCTION:

- If you make your January mortgage payment in 2017, you will increase your mortgage interest paid in 2017.
- The interest you paid thru 12/31 will be on your 2017 form 1098 Mortgage Interest.



TIP #6: PRE-PAY REAL ESTATE TAXES:

- You can pay some or all of your 2017 real estate taxes to use as a deduction in 2017.
- NOTE: If you are subject to Alternative Minimum Tax (AMT), you may not want to pay your Real Estate in the year the AMT will apply.

TIP #7: HEALTH SAVINGS ACCOUNT CONTRIBUTIONS:

- Max out your contribution to your Health Savings Accounts (HSA) and have your medical expenses be deductible for 2017.
- Family Plan Max contribution is \$6,750. Age 55 and over, Max contribution is \$7,750.
- Individual Plan Max contribution is \$3,400. Age 55 and over, Max contribution is \$4,350.
- Must be in a “High Deductible” insurance plan by 12/1/17. Please contact your insurance provider to see if you are eligible for an HSA account. (\$1,300 Deductible for Single, \$2,600 Deductible for Family Plans)
- HSA must be opened by 12/31/17. Last day to fund is 4/17/18.
- If you have an HSA you should at the minimum contribute to the amount of medical expenses you had during the year 2017. You can reimburse yourself for the amount of expenses you had for the year.
- For more information on the benefits of an HSA please contact Business by Design.



TIP #8: IRA CONTRIBUTIONS:

- Max contribution is \$5,500. If you are over 50, your Max contribution is \$6,500.
- IRA must be opened and funded by 4/17/18.

TIP #9: ROTH IRA CONTRIBUTIONS:

- Max contribution is \$5,500. This is a non-deductible contribution.
- If you are age 50 and over, your Max contribution is \$6,500.
- ROTH IRA must be opened and funded by 4/17/17.
- ROTH IRA Phase out starts at \$186K - \$196K (MFJ). If you make more than this, you cannot contribute to a ROTH IRA.



TIP #10: ROTH IRA ROLLOVERS AND CONVERSIONS:

- There are no income limits on IRA rollovers to ROTH.
- Consider converting some or all of your IRA's to a ROTH if your income is low in 2017.