Helpful Year-End Tax Savings Strategies

Rita Yeung CPA,
Vice President and Manager of Tax Services
Investment Management Group
Rockland Trust

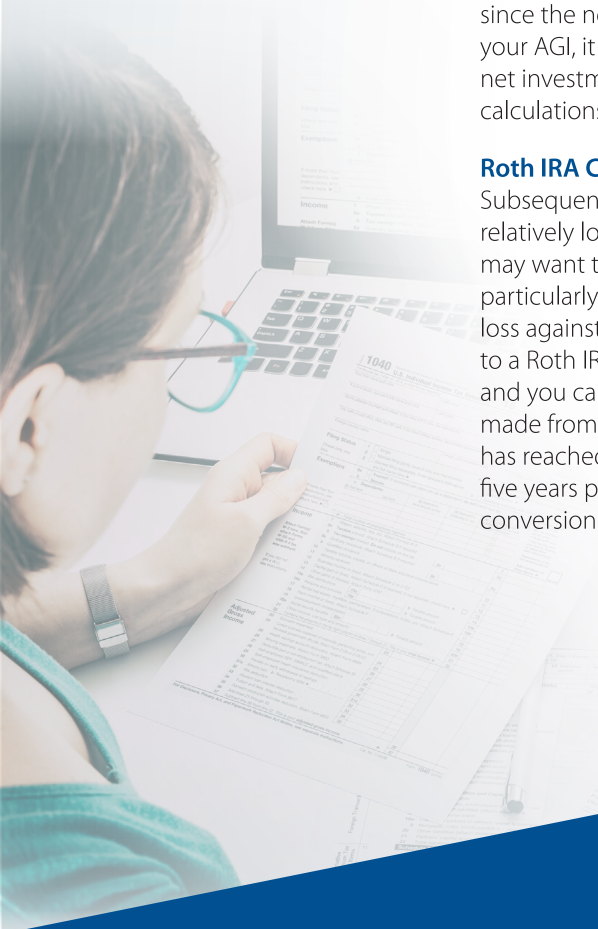
Making the right tax moves at the end of the year could make a significant impact on your tax liability. Rockland Trust Investment Management Group's Vice President and Manager of Tax Services, Rita Yeung, CPA outlines four tax savings strategies that can help set you up for success. Call us today to discuss these and more tactics to help maximize your returns.

Qualified Charitable Distributions

For those who are age 70 ½ or older, you are required to withdraw your required minimum distribution (RMD) from your IRA by December 31st. If you still haven't taken your RMD yet, you may want to consider making a qualified charitable distribution (also known as QCD) instead. A QCD is a distribution from your IRA account that is paid directly to a qualified charity. For those who are qualified to make a QCD, each taxpayer can donate up to $100,000 annually. The QCD will be counted towards your required minimum distribution amount. This distribution is nontaxable and will not be included as part of your adjusted gross income (AGI). This is a good strategy for those who are looking to make charitable donations, but may not be able to get the full tax benefit of the gift if they are no longer taking itemized deductions on their returns since the new tax law has raised the standard deduction amount. Since QCD is excluded from your AGI, it will also help lower other things such as the taxable portion of your Social Security, net investment income tax, and Medicare premiums since all these items use AGI as their base calculations.

Roth IRA Conversion

Subsequent to the new tax laws being passed at the end of 2017, income tax brackets are relatively low in comparison to history. Depending on your situation and stage in life, you may want to take advantage of this now by converting your traditional IRA to a Roth IRA, particularly if you anticipate a significant loss this year. Doing so will allow you to offset the loss against the Roth conversion so your tax implications are more manageable. By converting to a Roth IRA now, this deemed taxable distribution will be taxed at the current lower tax rate and you can avoid the potential for higher tax rates on distributions in the future. Distributions made from the Roth IRA in the future will generally be tax free as long as the account owner has reached the age of 59 ½ and the initial Roth contribution/conversion was made at least five years prior to the date of distribution. This means any future earnings subsequent to the conversion will also be tax free when withdrawn.



ROCKLAND TRUST
Investment Management Group

...Continued

Continues...

Tax-Free Gifts

The 2019 gift tax annual exclusion allows you to make a tax-free gift up to $15,000 to any individual without using any of your lifetime gift and estate tax exemptions. This means married couples with children can give away up to $30,000 to each child, their children's spouses, or grandchildren, etc. Keep in mind that any unused portion of this exclusion will not get carried forward to next year. Individuals who are looking to reduce their estate tax exposure, may want to consider gifting to make use of this exclusion before year-end. It is important to note that payments made on behalf of another person that are paid directly to an education institution for tuition and medical facilities for medical care, are not deemed as "gifts" for tax purposes and will not be subject to the gift tax rules.

Solar Tax Credit

For those who recently started a solar panel installation project on a home, you may want to accelerate this project before year-end to take advantage of the full 30% tax credit against the cost. The credit is set to be reduced to 26% of cost starting January 1, 2020. To take advantage of the full 30% tax credit by year-end, construction must be underway or you must incur at least 5% of the total project costs. Keep in mind that you must own the solar panels (cannot be leased) and the credit does not apply to rental properties.

ROCKLAND TRUST

Investment Management Group