Trim your future tax bill by thinking ahead

Don't procrastinate when it comes to prepping for tax season.

The tax code can be a labyrinth to navigate. Nevertheless, acting now – while you, your financial advisor and accountant have time to think through the possibilities and maximize your 2023 tax savings – could be more than worth the effort. Consider adding one or more of these four tax-mitigating moves to your capital gain/loss harvesting and year-end charitable giving.

Tip 1: Defer your year-end bonus or postpone income

Who can benefit? Those who think they'll be in the same or lower tax bracket next year.
What is it? Save on this year's higher taxes by withholding your bonus or postponing income until next year when you may be in a lower tax bracket.

Tip 2: Accelerate deductions

Who can benefit? Those who think they'll be in a lower tax bracket next year.
What is it? If you anticipate higher taxes this year, accelerate deductions (e.g., philanthropic donations, property taxes) to get a larger percentage tax benefit.

Bonus: Reducing this year's adjusted gross income may also keep you under the threshold for the 3.8% net investment income tax, which is also known as the Medicare surtax.

Tip 3: Accelerate income and/or postpone deductions

Who can benefit? Those who think they'll be in a higher tax bracket next year.
What is it? If you anticipate higher taxes next year, perhaps due to an increase in income, accelerating income and postponing deductions may help reduce your 2023 tax bill. Consider selling assets at a gain, billing in advance or deferring deductions until next year.

Tip 4: Be very generous

Who can benefit? High-net-worth families who want to donate significant amounts.

Did you know you can use a credit card to make a charitable gift in December and you can still claim the deduction for 2022, even if you pay the bill in January 2023?

What is it? If you want to make a generous charitable gift, consider doing so before year-end or establishing a donor advised fund*, which allows you to receive an immediate federal income tax deduction even if the funds will not be disbursed until later years. If tax rates do go down in 2023, you'd receive a larger tax benefit from the deduction due to the current higher rates.

Keep in mind that if you itemize your 2022 charitable giving, the CARES Act allows you to deduct up to 60% of your adjusted gross income in cash contributions.

If you won't have sufficient itemized deductions to exceed the standard deduction ($12,950 for single filers; $25,900 for married filing jointly), you may wish to bunch deductions by making a large charitable gift, equal to the total donations you would have made over several future years. This could help you take advantage of the ability to itemize this year, while in other years you would take the standard deduction.

Please note, changes in tax laws or regulations may occur at any time and could substantially impact your situation. While familiar with the tax provisions of the issues presented herein, Raymond James financial advisors are not qualified to render advice on tax or legal matters. You should discuss any tax or legal matters with the appropriate professional.
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