Tax planning:

Your 2017 return is filed but consider your strategy for 2018 now

Are your May flowers blooming? Especially since Tax Day has passed by? Now that Tax Day has passed for American residents, it is time to plan your strategy for 2018. Your tax situation will appear a lot different in 2018 compared with 2017 due to the tax reform. The increase in the standard deduction could lead to fewer people itemizing.

Here's a few ideas to consider while the year is still "young":

1. **Review your federal and state tax returns** with a harsher assessment, especially if you had someone prepare them for you.
2. **Review your retirement contributions** and possibly increase the contributions to the retirement plans.
3. **Deductions**: Are there additional deductions for 2018 you could utilize?
    a. Tax reform can affect your deductions for 2018 differently than in 2017. Consider clustering your deductions by double them one year and skip the next year so that it can be beneficial at least every other year. For example, clustering charitable donations in one year.
4. Reassess your **paycheck withholdings**. Are you contributing too much or not enough? This would also be the case if you make estimated tax payments. It would be best to use an online calculator to review your options on how much you should pay in taxes per pay period.
5. **Review your investments** and possibly expect capital losses. The past year led to the stock market positively helping investors but hurting at tax time. With the market dropping in the red in 2018, there could be losses to offset to some gains from investments or other ventures.
    a. The losses can offset your realized gains on investments but only a maximum of $3,000 can be applied to ordinary income each year. Net losses beyond $3,000 can be carried forward to future years.
6. **Consider Roth conversions** of some of your traditional IRA accounts. Roth Individual Retirement Accounts are great to own. Overall, withdrawals from these accounts come out tax-free. Roth withdrawals thus will not push you into a higher tax bracket, and they will not potentially make your social security benefits taxable. However, the negative issue is when you "convert" traditional IRA money into a Roth is that you must pay taxes on the amount that you are converting. With the stock market performing less prosperous in 2018, it could be the time to convert the Traditional to Roth IRA. Also, a wise decision is to use non-IRA funds to pay for any tax on the conversion. If you are considering a conversion, make sure it will be the right decision for you.
7. **Get organized** during the year to avoid the hunt for receipts and statements which could be detrimental to your bottom-line tax return. Scan them and store them digitally in a safe place.

8. **Record Retention**: Make copies of your returns and safeguard them in a safe place. Many taxpayers want to cut down on paper for various reasons ("green" or storage), leading for taxpayers to prefer electronic copies. However back them up on thumb drives, the cloud or other devices that are separate from your computer. Your computer can get stolen, lost or hacked, so best to not consider your computer a "safe place".
    a. Retain tax returns and supporting documents for at least three to seven years. Statements on investment purchases should be kept longer especially while you still own them. These would include any real estate and stocks.
9. **Tax refund strategy**: A tax refund is usually money YOU overpaid to the government. They are thanking you for the interest-free loan by returning it to you. It would be wise to devise a better strategy by paying less tax during the year and either save the funds or use it wisely to pay down debt. With the tax reform this year, the tax refund could be less if your employer is taking less out of your check. Or possibly more.
10. **State-level changes**: Keep in mind that the tax reform was at the federal level, so the IRS is reviewing the changes to your tax reporting. However, each state may be enacting various policies affecting taxes to make up for any short-falls from the federal tax reform. Keep yourself alert on what is going on with your state legislation. However, some states may have a revenue increase due to the reforms.
11. **Tax Reform analysis 2017 to 2018 laws**: Mir Taxes is publishing with each tax return completed an analysis of your 2017 tax situation and how it would have looked with the 2018 changes. Most of the time it could be favorable to the taxpayer. Ask your tax preparer for an analysis.

More questions? Contact Mir Taxes at info@mirtaxes.com or website: www.mirtaxes.com.