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PODCAST EPISODE #9: TAX TIPS FOR INDIVIDUALS
INTERVIEW WITH JEFF GROFF, CPA, TAX PARTNER
TRANSCRIPT

Kae Wagner – So Jeff Groff, it's great to have you on the show today. I was looking at your information on the Ross Buehler Falk website and I noticed that you have run seven marathons. I think that's very cool. And you've also been with Ross Buehler Falk for six years. Is that right?

Jeff Groff – It's now seven years.

Kae Wagner – Seven years, okay. But you've been in accounting for many more years than that, going on 26, 27?

Jeff Groff – That's correct.

Kae Wagner – And you have a wife whose name is Lori and one child.

Jeff Groff – Yes. Jeffrey Jr.

Kae Wagner – So welcome to the show. And what we're going to talk about today is Tax Tips for Individuals. Now we know that there's still a month or so before we actually get into tax season, but the thing that you guys always tell me from RBF is for everyone to be prepared. So let's talk about what individuals need to be doing and what are the tax tips that you have for individuals as they prepare for year end?

Jeff Groff – This year is like every other year has been for quite a while now. We're going into the end of the year with a lot of uncertainty regarding tax legislation, the political environment. So right now we always follow the traditional methods of tax planning which is to defer income and accelerate deductions when it makes sense. One way to do that is for individuals to look at their investment accounts, contact their financial advisers and find out if there are any capital losses that they could take advantage of to offset capital gains. It also might be a good time for some of our clients and individuals to maybe pay the capital gains tax if they have a lot of capital gains built up as a result of the market going up. So we always do look at the investment accounts of our clients.

Another area is charitable donations. This time of the year we have quite a few individuals that like to sell off stocks and donate that to charitable organizations because there are some tax benefits to doing that. Keeping track of medical expenses. Currently with the high health insurance premiums a lot of people are paying, if they don't get that through their employer, and if it's not already pretax, they can potentially add those health insurance premiums and any medical expenses they have for an itemized tax deduction. Now if you're under the age of 65, you do have to take a 10 percent cut based on your adjusted gross income against all of your medical expenses. And if you're 65 and older that is only a 7 ½ percent cut based upon your adjusted gross income.

Kae Wagner – As we're coming to the year end and even with the uncertainty that we have going on, are there any expirations at year end, any regulatory changes that people should be aware of?

Jeff Groff – There are not many that are expiring at the end of this year. 2016, the prior year, is when most of the tax credits we saw utilized were expiring. So there's really none this year to speak of. The residential solar tax credit is still available for a few more years. And I know we always see new solar panels going on homes and that's partly because of the tax credits and also because people do want to be more energy efficient.

Kae Wagner – Okay, so no real big changes to be aware of this year.

Jeff Groff – No, not as far as expiring tax provisions.

Kae Wagner – Okay. Let's look at the audience of retirees. What are some of the tax tips specifically for retired individuals that could help them on their tax returns?

Jeff Groff – Retired individuals that maybe they own their home and they don't have a mortgage on it, so they cannot claim the mortgage interest deduction: a lot of times we recommend bunching deductions into one year. What that means is if you're going to generally donate a certain amount to charity each year, maybe double that in one year, make those contributions in January and December, and then the following year don't make quite as many, so if you can accelerate some contributions into the same year. The same holds true with some medical expenses. If you have some medical expenses that you can pay in advance that will also add to that deduction for the current year, and prepaying state income taxes is another one that you can try to bunch in one year to take advantage of itemizing deductions. And then the following year, use the standard deduction. You can flip flop back and forth depending on your accumulated, your total deductions.

Another area is Required Minimum Distributions. A lot of times people forget that they are required to take a minimum distribution from their individual retirement accounts. And even though it's not necessarily a tax savings plan, but if they don't make the RMD, they will get penalized by the IRS. So in essence they're paying even greater tax by failing to take the required minimum distribution. Another area is utilizing a low income bracket. If you see that your income is going to be low this year, maybe you want to take out additional IRA withdrawals and take advantage of the 10 percent tax bracket and the 15 percent tax bracket. Sometimes that's overlooked because people don't want to pay any tax. But by getting it out at a lower bracket such as a 10 or 15 percent bracket, you can accumulate that money outside of the deferred tax accounts.

And then another one that we're seeing more of is as people approach retirement age, they're making larger health savings account deductions. There is a maximum amount you're allowed to give. So we do see a lot of individuals maxing out their HSA contributions because after they retire, they'll no longer have a high deductible plan, or they may no longer have a high deductible plan, but those HSA contributions can be withdrawn in retirement to pay medical expenses that you still have.

Kae Wagner – Okay. And back to the required minimum distribution, does that kick in at 65?

Jeff Groff – No it does not. The required minimum distribution starts at age 70 ½. So it's the year when you reach age 70 ½.

Kae Wagner – Okay, so we know that the future is going to have an impact on us in terms of the laws that may be changed and until we get to that point, what's your best advice?

Jeff Groff – The best advice right now would be to stay on top of current proposals, keep great records, keep as much documentation as possible, and ask your accountant throughout the year, and as we approach year end, any questions you may have. We encourage questions now because we can sometimes offer alternate ideas, solutions, or practical suggestions to help plan for the tax situation that may be coming up, whether it be selling assets, selling investments. A lot of times after December 31 it's too late for us to fix or help our clients out with those types of items. For example, if you sell an asset with a significant gain, we would highly recommend making additional tax payments to avoid getting caught with penalties and interest after the fact.

Kae Wagner – So I think you've given our listeners a lot of information to think about. I know as accountants the more time that you have to spend with your clients during the year to consult with them and advise them, the better. And then always during tax season the sooner you get the information, the better it is for everyone, as well. So I want to thank you for being on the show with us and thanks for all the great tips. And we will be talking to you soon.

Jeff Groff – Thank you, Kae.

Kae Wagner – That's it for today folks. Visit www.rbfco.com for more information on Accounting that goes Beyond the Numbers. This is your host, Kae Wagner, for Ross Buehler Falk. Our next episode is coming soon. Don't miss it.