Tax Planning Takeaways – While We Wait

1. **Postpone income when possible and practical.**

   There is still an outside chance Congress will pass tax cuts in 2017. Who knows, perhaps the cuts might even be retroactive to January 1. While this seems unlikely now, it can't hurt to postpone taking discretionary income until there is more clarity. However, possible tax changes shouldn't postpone a sale or other transaction propelled by a healthy stock market and company fundamentals. Markets can be just as unpredictable as tax legislation. Don't lose sight of the big picture.

2. **Wait on converting a Traditional IRA to a Roth IRA.**

   This is a specific example of postponing income. Conversion means income. The timing for this is totally at the owner’s discretion. Again, don't forget circumstances matter. If this year’s income is very low, converting now may still make sense. And one can always recharacterize the Roth IRA if it doesn’t work out, as long as it is completed before filing a 2017 income tax return.

3. **Understand the tax consequences of a large charitable gift.**

   A charitable tax deduction can be a strong incentive for large charitable gifts. Will charitable donations continue to be fully deductible for income tax? Yes, in the current tax proposals. But might Congress limit deductions as President Trump outlined during his campaign? Perhaps. This is one to watch carefully.

4. **Use leverage in gifting strategies.**

   Interest rates are low, but expected to rise slowly. Estate tax might be repealed. Reduce estate tax, and perhaps income tax, by loaning funds to adult children or irrevocable trusts, taking advantage of the difference between stock market returns and IRS-blessed lending rates, now around 2-3%. Shifting appreciation to heirs is a good strategy if estate tax remains intact and does no harm if estate tax is repealed.

5. **Make gifts to heirs during lifetime, but avoid attracting gift tax.**

   Continue to use vehicles like the Grantor Retained Annuity Trust to make gifts attracting low or no gift tax and having high potential to shift appreciation to heirs if the markets are good. The GRAT and other techniques which rely upon the time value of money or valuation discounts are in the cross-hairs of the IRS, but the Trump administration’s moratorium on all new regulations will stall any new limits on these techniques, at least for a while.

If you have any questions, don’t hesitate to contact your Relationship Team or email us at Top5@glenmede.