GUIDANT PLANNING, INC.
A Registered Investment Advisor

Most people wait until the end of the year to start thinking about their taxes. However, we recommend starting your tax planning halfway through the tax year. If your pay is consistent you should already have an idea of what your earnings will be. With that in mind there will be lots of time to take the following steps that have the potential to decrease the taxes you'll owe. The ideas of these steps were created by Bankrate and Kiplinger.

1. COMPLETE YOU 2015 TAX RETURN
First things first. If you received an extension to file back in April, finish up your 2015 tax return now.

Sure, you have until Oct. 17 (the usual 15th deadline is on Saturday) to get the forms to the IRS, but you don't have to wait until the last minute. Finishing up your taxes in a rush, whether in April or October, is a recipe for disaster.

At best, you could overlook a deduction or credit that could cut your tax bill. At worst, you could make a filing mistake that could undo all the tax work you got around to completing.

Remember, too, that the IRS' Free File program is still operational. If your adjusted gross income last year was $62,000 or less, you can use the online system to prepare and file your taxes for, as the name says, free. Check it out at www.irs.gov.

2. ADJUST YOUR WITHHOLDING
Did you get a big refund? Are your work and tax circumstances about the same this year as last?

Then you probably should adjust your withholding so that you won't get a big tax refund next filing season.

Americans apparently like getting a tax refund.

The ideal payroll withholding situation is to have just enough tax -- not too much, not too little -- withheld from your paychecks to meet your eventual annual tax bill.

In this way, you'll avoid writing the U.S. Treasury a check for tax due if you under-withheld. And if you over-withheld, you won't be waiting for a refund check.

Changing your withholding is easy. Just stop by your payroll office and submit a new W-4.

3. EVALUATE YOUR ESTIMATED TAXES

Estimated tax payments are required if you get income that isn't subject to withholding. It's the IRS' way of ensuring that you're paying as you earn on all your income.

By making the 4 extra tax payments a year, you'll help ensure you don't underpay your taxes. That's important because if you owe too much at filing time, you could face a tax penalty. But you don't want to overpay your estimated taxes.

Summer's a great time to reassess your estimated tax situation. Look at what you've paid via your April and June 1040-ES filings and see whether your schedule is still on track. If not, you can adjust your upcoming September and January estimated tax payments.

4. SAVE YOUR MEDICAL RECEIPTS

If you're older, have a lot of out-of-pocket medical expenses and itemize, then 2016 could be your last best chance to take tax advantage of those costs.

For 2016 returns, taxpayers age 65 or older still can claim medical and dental expenses on Schedule A that exceed 7.5% of adjusted gross income. Starting in 2017, however, every taxpayer regardless of age must have medical costs that are more than 10% of AGI in order to itemize the expenses.

Start planning deductible medical procedures now. Be sure to count often overlooked write-offs, such as travel to treatments or even to pick up prescriptions at your pharmacy. And if you're married, the lower 7.5% threshold still applies as long as one spouse is 65 or older this year.

5. GIVE TO CHARITY

Your favorite nonprofit organization will happily take your money or unwanted household items any time of the year.

In fact, summer is when many charities are struggling, as most folks tend to spend this season thinking about their own recreational wants instead of other people's needs.

So help out the charities of your choice by donating now instead of waiting until the end of the year. If you itemize, your deduction is just as valid in July as it is in December.

Just be sure to get a receipt. The IRS now demands documentation for every monetary charitable gift, regardless of how small or large. Without it, the IRS could disallow your deduction.

6. CONTRIBUTE TO YOUR RETIREMENT PLAN

Earlier is better when it comes to your retirement plans. The sooner you contribute to your individual retirement account, either a traditional IRA or a Roth, the sooner the account starts earning money.

Don't forget your at-work account. If your employer offers a 401(k) and you haven't taken advantage, check on enrollment details. If you are already contributing, increase the amount of your contributions. This money comes out of your paycheck before taxes are calculated, meaning you'll get a small but immediate tax break on your earnings.

And if you decide you'd like to move from a tax-deferred traditional IRA to a Roth account with its tax-free distributions, go ahead. There's no longer any income limit on such conversions.

7. Plan for 3.8% investment tax:

Wealthier taxpayers now must deal with several new taxes. This includes the 3.8% net investment tax, which was created to help fund health care reform.

Rey Santodomingo, CFA professional and dir-

ector of investment strategy, tax managed equities at Parametric Portfolio Associates in Seattle, says affected taxpayers -- single filers with modified adjusted gross income of $200,000 or more and joint filers making $250,000 or more -- now must be even more aware of their holdings' tax efficiency.

"Evaluate your investments on an after-tax basis," he says. "Place less tax-efficient investments in tax-deferred accounts. Also look for opportunities to defer taxes even longer by employing tactics like loss harvesting."

But don't overreact.

Don't, for example, move away from dividends just because of the new tax. "De-emphasized dividends could mean you take on added risk that might not be appropriate for your portfolio," Santodomingo says.

8. BE A SHORT-TERM LANDLORD

Your home already offers a lot of tax breaks. Renting it out for a couple of weeks this summer could offer another benefit: extra tax-free income.

As long as you rent out your residence for less than 15 days, the income is tax-free. It doesn't even have to be reported on your tax return.

This is a boon for homeowners in places that host special events, such as music festivals or sporting events like the NFL's Super Bowl or sporting franchises' playoff games.

A short-term rental of a second home also has no tax consequences if that other property meets certain conditions.

While you must be careful to meet the tax code occupancy and rental time limits for your primary residence or vacation home, the calendar coordination can pay off nicely. Depending on an event's popularity, homeowners have been able to turn 2 weeks of rent into a month or more of mortgage payments.

9. BOOST RETIREMENT SAVINGS

The maximum contribution for 401(k) and 403 (b) plans remains the same as last year: $24,000 for those age 50 and older at the end of the year and $18,000 for younger workers. If you’re not maxing out, consider whether you can afford to save more.

If you opt for a traditional, pretax account, boosting your contribution won’t put a dollar-for-dollar dent in your take-home pay. If you’re in the 28% bracket, for example, adding an extra $500 a month to your 401(k) will cut your take-home by just $360.

If your company offers the Roth option, contributing after-tax dollars would cost you the full $500 in this example . . . but the payoff would be tax-free withdrawals of both contributions and earnings in retirement.

If you’re at the limit for your company plan, don’t forget that you can contribute to an IRA as long as you’re still working. You can contribute $6,500 ($5,500 if you’re under 50) to either a traditional or Roth IRA, or a combination of the two. Contributions to traditional accounts are fully or partially deductible, unless you’re covered by a company plan and your adjusted gross income exceeds $71,000 on a single return or $118,000 on a joint return. Note, though, that deposits to traditional IRAs are not permitted beginning in the year you turn age 70 1/2.

There are no age restrictions for nondeductible contributions to Roth IRAs, but there are income limits. The right to contribute to a Roth is phased out as income rises between $117,000 and $132,000 on a single return and from $184,000 to $194,000 on a joint return.

Although you generally must have earned income to contribute to an IRA, if your spouse isn't working, you can make a deposit to a spousal IRA for him or her, as long as you have enough income to cover the contribution.

10. DEAL WITH RMDS

The first baby boomers reach age 70 this year, which means hundreds of thousands more IRA owners will need to take required minimum distributions for 2016. Regardless of whether it's your first distribution or not, the RMD is based on the balance in your IRAs at the end of 2015. The total is divided by a factor provided by the IRS in Publication 590-B. (For most IRA owners, the divisor is 27.4 for someone who turns 70 this year, for example, and 18.7 for someone who turns 80.)

The later in the year you take your required payout, the longer your money gets to grow in the tax-sheltered environment. If 2016 will be your first RMD, you can postpone the withdrawal to as late as April 1 of next year; otherwise, December 31 is the deadline. If you can choose between this year and next, consider your expected tax brackets in each year and how adding the RMD to your taxable income might affect the taxation of your Social Security benefits and your Medicare premiums.

Two points about RMDs: First, you don't have to spend the money; you can transfer it to a taxable account. Second, you can always take more than the RMD if you need to.

Or you can give it away. Congress has made permanent the provision that permits IRA owners age 70 and older to transfer up to $100,000 from their IRA directly to a charity. Such transfers count as your RMD, but the money does not show up in your taxable income. In the past, such gifts were usually made at year-end because Congress habitually let this break lapse and revived it at the end of the year. Now, you don't have to wait. If such generosity is in your plans, contact the charity to arrange the gift.

11. Make the most of generosity. Giving away an RMD isn't the only potentially savvy way to make a donation. If you are planning a significant gift to your church, synagogue, alma mater or other charity, don't automatically reach for your checkbook. Turn to your portfolio instead.

The law has a special rule to encourage gifts of appreciated property, such as stocks, mutual fund shares or real estate. As long as you have owned the asset for more than a year, you can deduct its full market value rather than just what you paid for it. And neither you nor the charity have to pay tax on the appreciation while you owned it.

Because it can take a while to arrange for the transfer of ownership, now is a better time to plan such gifts than as part of a year-end tax-planning frenzy. (Never give away property that has declined in value. You're better off selling, claiming the capital loss on your tax return and then donating the proceeds of the sale for your charitable write-off.)

12. MAKE GIFTS TO THE FAMILY

You can give up to $14,000 this year to any number of individuals without having to worry about the federal gift tax. If you and your spouse join in the gift, the limit rises to $28,000 per person . . . or $56,000 to a couple. If you are planning significant gifts to children or grandchildren, consider using appreciated assets rather than cash.

Let's say you and your husband want to give your son and his wife $50,000 for the down payment on a house. Because that's under $56,000, you wouldn't even have to file a gift tax return. But instead of cash, let's say you give the children $50,000 worth of stock that you paid just $30,000 for years ago. If you sold the stock, you'd owe capital-gains tax on $20,000.

But by giving the shares away, you also give away that tax bill. Your tax basis transfers to the children and, if they're in a lower tax bracket when they sell the shares, the extended family saves some money on the $20,000 profit. If the children are in the 10% or 15% bracket, in fact, at least part of the gain would be taxed at 0%.

Beware, though, that the kiddie tax can put the kibosh on these savings if you're making gifts to grandchildren. For children under age 19 (or under 24 if they are full-time students), investment income in excess of $2,100 this year will be taxed at their parents' rate, not their own.

13. MOVE TO A NEW STATE?

If this summer brings a move to a new state, brace yourself for a slew of tax changes. Sure, Uncle Sam's rulebook stays the same, but state income, sales and property taxes vary widely. Differences can be particularly surprising when it comes to how states tax retirement income and special property tax breaks for retirees. Study the estate and inheritance tax landscape, too.

Getting up to speed quickly on new rules and regulations will pay off. For an overview of how different states tax retirees, check out this Retiree Tax Map. ■

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