A few last-minute tips to save on your 2019 tax bill

by Erin Arvedlund, Updated: December 9, 2019- 5:00 AM

Yes, 2019 is almost over, but you still have some time to save on your tax bill for the year. Here are some year-end tips that you may want to consider.

First, some potential good news: There's chatter that the $10,000 cap on property tax deductions may be raised by Congress. The cap was written into the Tax Cuts and Jobs Act of 2017. More on that below.

Let's start with some basics. The 2019 standard deduction increased to $24,400 for married taxpayers filing jointly, $12,200 for married filing separately or single filers, and $18,350 for heads of household, according to the IRS.

Move up as many expenses as possible into 2019 and defer income to next year, recommends Blue Bell-based CPA David Zalles. For example, use a credit card to pay tax-deductible expenses in 2019. The date you charge something on a credit card is the date the item is deductible for tax purposes.

Alimony payments are no longer deductible for divorces entered into after Dec. 31, 2018. Alimony received is no longer taxable for divorces entered into after this date as well.

The child tax credit remains $2,000 a year. There is also a $500 credit for qualifying dependents other than children. Those 529 savings plans you set up for kids' college? You're now allowed to use up to $10,000 (per student per year) for K-12 education as well.

Maximizing your retirement contributions

Mom and Pop taxpayer, here are the maximum allowable contributions for the year to Individual Retirement Accounts, 401(k) plans, deferred annuities, and other tax-advantaged retirement accounts, according to Isdaner & Associates of Bala Cynwyd.

For 2019, you can contribute up to $19,000 to 401(k)s and $6,000 for IRAs. If you are 50 or older, you can make additional catch-up contributions of $1,000 into an IRA and, if your plan allows, $6,000 in 401(k)s and other employer-sponsored plans.

Not that I have an extra $6,000 lying around, but it's good to know we have the option.

Timing medical expenses

The Tax Cuts and Jobs Act lowered the deduction for unreimbursed medical expenses to 7.5% of adjusted gross income (AGI) for 2017 and 2018, but it bounces back to 10% of AGI for 2019. Bunching qualified medical expenses into this year could make you eligible for the deduction.

Possible change in SALT?

There's a last-ditch bill floating around in Congress proposing to raise the $10,000 limit on SALT, or state and local property tax, deductions. That could help residents of high-property-tax states, such as Pennsylvania and New Jersey.

The bill — H.R. 1757 — would raise the SALT deduction to $15,000 for individuals and $30,000 for married couples, according to Michael Gillen, director of tax accounting and advisory at Duane Morris. It was capped at $10,000 as part of the 2017 tax cuts.

The deduction could last for some period of time, say, three years, Rep. Bill Pascrell Jr. told Roll Call. The New Jersey Democrat has been a vocal critic of the SALT cap.

We'll follow this to find out how realistic a change in SALT might be in 2020. As for 2019, there's barely enough time for Congress to buy holiday gifts before finishing out this year's session, never mind passing new legislation.

Mortgage interest remains deductible on up to two homes with total qualifying mortgage debt of up to $750,000. Existing mortgages you acquired on or before Dec. 14, 2017, are "grandfathered" under the old tax law.

Interest expense on home equity debt is now disallowed, unless your home equity loan is used to buy, build, or substantially improve your home.

Donations to charity

Last week we wrote about how to use your retirement account to donate to charity — tax-free.

Before year end, you can make a "qualified charitable distribution" from an IRA or other retirement account. If over age 70½, individuals can instruct that up to $100,000 untaxed be sent directly to a charity. This counts toward the required minimum distribution and also excludes the money as income, Zalles said.

Taxpayers are required to get acknowledgment letters from the charity. Remember, "the check must be issued payable to the charity, and then the taxpayer would forward the check to the charity with the letter of instructions," he said.

And as all QCD taxpayers must be 70½ years old, their standard deduction is $13,600 for singles and $26,600 for married filing jointly.

Posted: December 9, 2019 - 5:00 AM

Erin Arvedlund | @erinarvedlund | earvedlund@inquirer.com