

Year-End Tax Moves

There's still time for last-minute tax savings if you act before January 1.

DEFER INCOME TO 2023

Some tax thresholds for 2023 will see more significant than usual increases due to 2022's inflation. (See the Q&A section for more information on how inflation impacts your tax bill.) The 2023 standard deduction will increase significantly. If you don't itemize deductions, consider deferring some of your 2022 income into 2023 to take advantage of a larger standard deduction. While it might not be possible to put off your wages, you may be able to delay an expected year-end bonus until 2023.

TAKE RMDs ON TIME

If you reach age 72 in 2022, this is the first year you must take minimum distributions (RMD) from most of your tax-deferred retirement accounts. RMDs must be taken by December 31 each year. But if it's your first year taking RMDs, you have a grace period until April 1, 2023, to take your first distribution. Failing to withdraw the required minimum amount each year comes with hefty penalties.

There is an alternative if you don't need the funds. Instead, you can make a qualified charitable distribution (QCD). Have your account custodian distribute the money directly to your specified charity to avoid tax consequences on your personal tax return.

SPEND ALL YOUR FUNDS

Remember to use all the funds you have in your flexible spending account before the end of the year. If your plan is structured as “use it or lose it,” any unused balance is forfeited, and your employer keeps the money. But some programs allow a short rollover period. If you’re unsure, ask your human resources officer to avoid losing out.

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