Traditional Strategy of Deferring Income Is Dicey This Year

Keiter
Your Opportunity Advisors

October 2012

Be careful when considering the time-honored strategy of deferring taxable income from this year into next year. The strategy makes sense if you're confident you'll be in the same or lower tax bracket next year, but the tax picture for 2013 is blurry. With just over two months left in 2012, the fate of many tax provisions as well as what the tax rates will be for 2013 and beyond is still very much unknown. Congress will return to Washington after the November elections to hopefully deal with these issues. In the meantime, we are left with a whole lot of conjecture and very little time for planning once the eventual outcome is known.

The best course of action may be to start now to identify ways you could defer or accelerate some of your income and deductions between 2012 and 2013, but wait to pull the trigger until we know more. Cash-basis businesses may be able to control the timing of income by sending out December invoices early (if they want the income received in 2012) or late (if they want it received in 2013). They may also be able to accelerate or defer deductions by carefully timing the payment of expenses or the purchase of business supplies and equipment, so they fall in 2012 or 2013, whichever is preferred.

We wish we could give you more definitive advice about the advisability of deferring income (or not), but the uncertainty about future tax rates makes it difficult. Please check back with us later when we may have much better information about what's going to happen with 2013 tax rates—hopefully, this will be before the end of 2012.

Stay in touch