The poet T.S. Eliot wrote that “April is the cruelest month,” and most of us would agree, at least in regard to taxes. Even as we feel the relief of filing an income tax return, April is not too early to start planning for the year ahead, particularly with recent changes to tax laws.

Managing income taxes should be an important piece of your financial strategy. While the recently enacted Tax Cuts and Jobs Act reduced the top tax bracket to 37%, it also doubled the standard deduction and limits or fully eliminates several itemized deductions which will result in higher taxable income for many.

One of these changes is the $10,000 cap on the deduction for state income taxes plus property taxes paid during the tax year (otherwise known as the SALT deduction – “State And Local Tax”). For many high-income earners, this is one of the largest deductions on Schedule A, especially if your house is paid for.

In light of today’s tax laws, there are a few strategies that should be considered by high-income earners to counteract the cap on the SALT deduction.

A Georgia taxpayer taking advantage of both credit programs can convert up to $20,000 (or $30,000 for married owners of pass-through entities) of non-deductible state tax payments into charitable contribution deductions. After June 30th, additional benefits may be realized through the Georgia HEART Credit until the cap is hit.

1. **Convert your Non-deductible State Income Tax Payment into a Charitable Contribution**

   a. **Georgia HEART Credit**

      A recent bill passed by the Georgia legislature allows individuals and corporations who make charitable contributions to “qualified rural hospital organizations” (RHOs) in Georgia to receive a state income tax credit. Here’s how it works:

      - Taxpayer makes a charitable contribution to an RHO through the Georgia HEART Hospital Program.
      - Taxpayer receives a charitable deduction on the Federal tax return for the full value of the contribution.
      - Taxpayer receives a Georgia state tax credit of 100% of the contribution amount.
      - The maximum credit is $5,000 for individuals and $10,000 for married couples filing jointly. After June 30th, an unlimited credit can be applied for (subject to availability with the $60,000,000 cap).

      Depending on the tax bracket, this strategy can save the taxpayer up to $7,000 (37% bracket) of net cash after the contribution (or more after June 30th if there is availability) and help enhance healthcare services in rural parts of Georgia.

      How do you apply for the credit? It’s easy—just visit www.georgiaheart.org now to sign up.
b. Georgia Education Expense Tax Credit

Another bill awaiting the Governor’s signature is the increase in the cap on the State Scholarship Organization (SSO) run by the Georgia GOAL Scholarship from $58,000,000 to $100,000,000 effective January 1, 2019. This is another way to convert a tax payment into a charitable deduction but due to its popularity, contributions have been limited because of the cap.

This tax strategy works in a similar manner as the HEART credit, however current law already allows for a Georgia state tax credit in the amount of 100% of the charitable contribution. The maximum credit is $1,000 for individuals and $2,500 for married couples filing jointly. Owners of pass-through entities can apply for up to $10,000 of credits per year, which makes this even more attractive for many attorneys, physicians, dentists and others with an interest in such entities. Married owners may be allowed a tax credit of up to $10,000 each, for a total of $20,000. C-Corps and Trusts may also be eligible for a credit of up to 75% of their annual Georgia income tax liability.

2018 Credits have already been awarded, but most SSOs will begin accepting applications for 2019 in June of this year. Visit www.georgiasso.us for more information.

Bottom line: A Georgia taxpayer taking advantage of both credit programs can convert up to $20,000 (or $30,000 for married owners of pass-through entities) of non-deductible state tax payments into charitable contribution deductions. After June 30th, additional benefits may be realized through the Georgia HEART Credit until the cap is hit. This can have a significant impact on your tax bill. There is a supply and demand issue with these credits, so we recommend taking prompt action to benefit.

2. Consider Other Beneficial Georgia Tax Credits—low-income housing credits and film tax credits

Another way to save on paying state taxes that can’t be deducted is to use state tax credits to cover your liability. There are a number of options including low-income housing credits and film tax credits which allow you to pay anywhere from $0.88 to $0.92 for each dollar of state tax credit. (Prices can vary.)

The discount element on the credit ($0.12 - $0.08 in this example) is a taxable capital gain and would be considered short-term if the credit is purchased within 12 months of the payment. Even after short-term capital gains tax, your return on investment with this strategy may be between approximately 5% - 8% depending on pricing and your tax bracket.

While he probably was not referring to tax strategy, Eliot also wrote, “There is no method but to be very intelligent.” With these kinds of potential benefits, now is the time to intelligently plan ahead to make next April a little less cruel.

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