

Tax Alert

Now's the Time to Start Thinking About "Bunching" — Miscellaneous Itemized Deductions, That Is September 1, 2016

Many expenses that may qualify as miscellaneous itemized deductions are deductible only to the extent they exceed, in aggregate, 2% of your adjusted gross income (AGI). Bunching these expenses into a single year may allow you to exceed this "floor." So now is a good time to add up your potential deductions to date to see if bunching is a smart strategy for you this year.

Should You Bunch Into 2016?

If your miscellaneous itemized deductions are getting close to — or they already exceed — the 2% floor, consider incurring and paying additional expenses by December 31st, such as:

- Deductible investment expenses, including advisory fees, custodial fees, and publications
- Professional fees, such as tax planning and preparation, accounting, and certain legal fees
- Unreimbursed employee business expenses, including vehicle costs, travel, and allowable meals and entertainment

But Beware...

These expenses aren't deductible for alternative minimum tax (AMT) purposes. So don't bunch them into 2016 if you might be subject to the AMT this year.

Also, if your AGI exceeds the applicable threshold, certain deductions — including miscellaneous itemized deductions — are reduced by 3% of the AGI amount that exceeds the threshold (not to exceed 80% of otherwise allowable deductions). For 2016, the thresholds are \$259,400 (single), \$285,350 (head of household), \$311,300 (married filing jointly), and \$155,650 (married filing separately).

If you'd like more information on miscellaneous itemized deductions, the AMT, or the itemized deduction limit, please let us know.