It's nearly New Year's Eve, but you can still lower 2016 taxes

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The clock is ticking on taking advantage of tax breaks for 2016.

From managing capital gains to charitable giving, financial advisors point to a range of tax strategies that can help reduce the amount you fork over to Uncle Sam.

But don't make the mistake of waiting to act until next spring, when the April 18 filing deadline is looming. (And no, that date for Tax Day 2017 is not a typo.)

"As long as the action occurs by Dec. 31, it will count for your 2016 taxes," said certified financial planner Alex Koury, vice president of investment planning for Householder Group Estate and Retirement Specialists. "Otherwise, it will go against 2017."

Capital gains pains

In the mutual fund world, 2016 is shaping up to be a more active year than usual for capital gains distributions. And if you own mutual funds outside of tax-deferred retirement accounts, such as 401(k) plans and individual retirement accounts, you could end up owing taxes on those gains.

"A lot of mutual fund managers are in the black this year," said Ian Weinberg, a CFP and CEO of Family Wealth & Pension Management. "So they might have a large [capital gains] distribution that they're going to make, and they aren't always thinking about the income taxes of the investors."

Basically, when a fund sells a holding at a profit, the fund is legally required to distribute that gain among shareholders, who in turn must pay taxes on it even though they personally sold nothing.

Most mutual funds' 2016 distributions range from modest to higher than usual, but a handful are socking shareholders with gains of 20 percent, 30 percent or more of the fund's share price, according to various published reports. So if you own funds in a taxable account, make sure to check on the capital gains factor.

"It calls for some examination of your holdings to make sure there are no big surprises," Weinberg said.

Also, if you're thinking about buying into a mutual fund before the end of the year, check to see if it has already distributed its capital gains.

"If it has not, avoid making the purchase until after the fund makes that distribution," said Koury at Householder Group Estate and Retirement Specialists. "Otherwise, you're going to pay taxes on gains [that didn't benefit you]."

Tax-loss harvesting

The good news, however, is that there's still time to offset gains by engaging in tax-loss harvesting.

"If your portfolio has realized capital gains this year … those gains might expose you to the alternative minimum tax or the Medicare surtax," said Weinberg at Family Wealth & Pension Management. "So it's especially important to harvest unrealized losses to offset against those gains."

Say you own a taxable mutual fund that shows a $5,000 loss on your original investment. If you sell the fund — i.e., "harvest" the loss — you can use that $5,000 loss against your overall gains realized on other investments, thereby lowering your tax bill.

Moreover, if your gains are lower than your losses, up to $3,000 of a loss can be claimed on your tax return. Any remaining losses can be carried forward to use against future capital gains.

Tackling your RMD

This also is the year that the baby boomer generation's oldest members — an estimated 2.5 million people — turn 70. If you've reached that milestone, the term "required minimum distribution," or RMD, probably should be part of your vernacular, if it isn't already.

Once you reach 70½, you must begin taking the RMD from your 401(k) or traditional IRA. The exact amount is based on the account balance and your life expectancy.

The penalty for failing to take the RMD is steep: 50 percent of the amount you were supposed to withdraw. Newbies get an exception. In the first calendar year that you're supposed to take the RMD, you can delay it up to April 1 of the next year.

"If you think 2016 is likely going to be a higher tax year and you can accelerate expenses and defer income, now's the time to do it." -Ian Weinberg, CEO of Family Wealth & Pension Management

For people who haven't reached that age but are at least age 59½ — the age at which you can start taking penalty-free withdraws from IRAs and 401(k)s — advisors say it's worth looking at whether taking distributions now makes sense as a long-term strategy.

This is because some retirement account balances end up growing so large that the RMD causes people to fall into a higher tax bracket.

One way to avoid your IRA eventually delivering more taxable income than you want in retirement is to roll it over to a Roth IRA.

A Roth conversion results in immediate taxation of any untaxed amounts in the IRA. But Roth withdrawals are tax-free. Moreover, there is no RMD for Roth IRAs until the account owner's death.

Feeling charitable?

If you are among those retirees facing an RMD from your IRA and you are charitably inclined, advisors say it's worth considering a qualified charitable distribution directly from your IRA.

QCDs, as they're known, have had an on-again off-again relationship with the tax code for the last decade. But as of late 2015, they became permanent.

"For a lot of clients, I say if you're going to donate, let's do it straight out of your IRA instead of you taking a distribution and then making the donation," said Rose Price, a CFP and branch manager with VLP Financial Advisors.

In other words, if you don't need the income, it's a way to benefit a charity while simultaneously meeting your RMD obligation without paying taxes on the money.

If you're on the giving side of retirement savings instead of the receiving end, advisors say you should max out your contributions — which are tax-deductible — to your 401(k).

If possible, advisors recommend adjusting your paycheck withholdings for the rest of the year to make sure you get as close to the 2016 maximum contribution as possible: $18,000 for people under age 50 and $24,000 for those age 50 and older.

Contribution limits for IRAs are $5,500 for the under-50 crowd and $6,500 for those older. But unlike the Dec. 31 deadline for 401(k) contributions, you get until Tax Day (April 18, 2017) with IRAs.

Also, advisors generally say that if you have certain expenses and income whose timing is flexible, it's worth evaluating whether you should delay or accelerate them, depending on whether you anticipate your income going higher or lower in future years.

Taxes: Going down?

Speaking of going lower, there's a solid chance that's where taxes are headed.

With the election of Donald Trump and a Republican-controlled Congress, some financial advisors expect the president-elect to succeed in his plans to reduce marginal tax brackets and either reduce or eliminate other investment-related taxes.

"If you think 2016 is likely going to be a higher tax year and you can accelerate [tax-deductible] expenses and defer income, now's the time to do it," said Weinberg of Family Wealth & Pension Management.

— By Sarah O'Brien, special to CNBC.com

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This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Traditional IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a conversion from a Traditional IRA to a Roth IRA. The converted amount is generally subject to income taxation.

The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.

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