END OF YEAR TAX SAVINGS | TARGETING THE SILVER TSUNAMI | BUILDING SAVVY SALUTES OUR VETERANS

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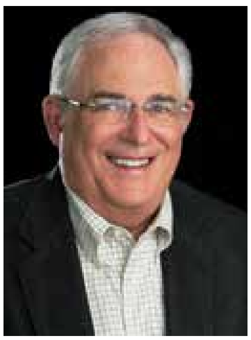
End of Year TAX SAVINGS

Taxes may be the last thing on your mind as the holidays roll around, but they shouldn't be.



By Steven Bankler, CPA

There are unique tax-saving opportunities only available before year's end. For just a moment, set down your pumpkin spice latte and roll up your sleeves. The following tips could truly make this the most wonderful time of the year when it comes to tax savings.

Consider selling stock

If you lost money on certain stocks this year, selling off corresponding long- or short-term shares that performed well could offset your capital losses. Conversely, if you experienced gains, you might want to consider selling losses to offset those gains. You can't replace the sold stock outright, but you can replace it with similar investments. For example, if you sold a hospital stock, you could replace it with a hospital exchange-traded fund, a mutual fund specializing in hospital investment, or a different hospital company.

Give money to loved ones

Individuals can give up to $15,000 annually to other individuals tax-free (married couples can gift $30,000). These limits include property (such as land, a car, or a collectible, for example) and is valued at an indisputable present worth or fair market value. While giving to other individuals, in general, will not directly lower your taxes immediately, doing so annually over time is a good way to avoid future gift taxes or estate taxes on a larger lump sum. Also, keep in mind that tuition and medical expenses for close relatives are not considered gifts and could be fully deducted.

Give money to charity

Giving money or other assets to charity is a great way to reduce your tax bill. Charitable giving is an especially great option if you're 70 ½ or older because you can donate up to $100,000 from your IRA as part of your Required Minimum Distribution. You just need to follow certain IRS guidelines for your contributions to be considered tax deductible.

First, you must be giving to a qualified organization that is a 501(c)(3) in good standing. You cannot deduct contributions made to individuals, political organizations and candidates. And if you receive a benefit in return such as merchandise, tickets to a ball game or other goods and services, then you can deduct only the amount that exceeds the fair market value of the benefit received.

Unsure of which charity you wish to support? That's okay. You can create what's called a Donor Advised Fund. Contributions made to the fund are immediately deductible, even if they aren't given to a charity that same year.

Make deductible business purchases

This part requires careful planning with a tax advisor since new tax code opportunities haven't yet been defined by IRS guidance. Changes like newly increased Section 179 and depreciation allowances could mean that big business purchases equal bigger than ever business deductions. The new 20-percent small business deduction and a doubling of the standard deduction limit mean small business owners of pass-through entities could save immensely on their tax bill, too.

Keep these changes in mind as you consider business purchases both large and small through the end of the year, from splurging on a company jet to stocking the break room with pens. And if you're in the construction industry and have large or long-term contracts, consider a new rule that allows you to defer taxes until at least 95 percent of a residential project is complete.

Consider deferring income

If you're self-employed and want to reduce your taxable income, you could defer being paid until next year. In other words, if you're due a bonus or a payment near the end of December, consider delaying the payment or invoice to push receipt of the money into January instead. There are other steps you can take to reduce your taxable income like funding a retirement account, recharacterizing IRA contributions, and carrying back or carrying forward business losses.

The bottom line

It'll be a tax season filled with changes and uncertainty, so the earlier you plan, the better. Don't wait until spring to find out how the new rules affect this year's tax bill. Many of these opportunities are only available before the New Year arrives.

Steven Bankler has more than 40 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection as well as exit strategy services for closely held businesses. In addition, he also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations and estate planning. Learn more about Steven Bankler, CPA, Ltd. at www.bankler.com.