

Year-End Tax Tips

As you manage your taxes at year-end one important, constant goal should be to reduce your adjusted gross income (AGI), which equals your gross income (salary, investment earnings, etc.) less your allowable deductions and exemptions. Maximizing your deductions and exemptions, as well as taking advantage of any tax credits available to you, is a great way to start thinking about saving money on your next tax bill.

Maximize your 401(k). A 401(k) plan has a maximum contribution amount, which limits your annual contribution. However, if your contributions have fallen short for the year, some plans will allow you to "catch up" at year-end. Not only can this help you save on taxable income, but also if your employer matches your contribution then you win in two ways.

Charitable donations. If you are considering giving a cash donation to a charity, you must give it or mail it by December 31st. You will be eligible for the deduction as long as the donation was made by the end of the year. Stocks that have appreciated in value, which you have owned for over a year, can also be donated to charity. If you do so, you will not owe taxes on the appreciation, and will be entitled to deduct the expense of the stock from your taxes. If you wish to maintain ownership, the charity may be able to assist you in buying new shares.

Devalued stock. If you own stock that has become "worthless" because it has lost all value you may be able to claim a capital loss. However, "worthless" is a technical word, which the Internal Revenue Service (IRS) insists means more than a suspension in trading or a bottomed out stock. Deductible losses can equalize any realized gains and up to \$3,000 of income.

Charge it. Any year-end deductible expenses, such as those for unreimbursed business-related expenses, can be charged to a credit card. According to the IRS, you are allowed to deduct expenses that occurred within the taxable year, which means that you can take advantage of the deduction this year and, if need be, pay off the card next year. Many charities also accept donations by credit card, which would further your ability to make a tax-deductible charitable donation.

Prepay. If the alternative minimum tax (AMT) does not apply to you, and you are sure that your tax bracket has remained the same, consider prepaying your state and local taxes. Prepaying these taxes before the end of the year will enable you to claim a credit on the amount when you file.

You have until December 31st to get a head start on year-end planning. If you plan to itemize your deductions, then fulfill your promise to yourself, and take action. Utilizing these year-end deduction tips can benefit charity and your retirement, as well as make your taxes less taxing.

The information mentioned here in above is of general nature and cannot be regarded as legal or tax advice. For more information, please contact Anne Tahim at 714-772-4744