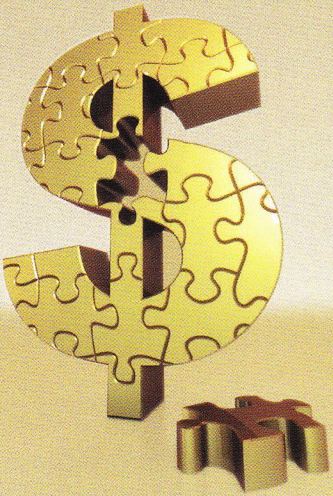
HOW TO KEEP MORE



OF WHAT YOU MAKE

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Don't pay more taxes than necessary

There is a certain mystique that has grown up around tax planning and tax cutting. Many people feel that cutting taxes means hiring high-priced experts to find "loopholes" in the law, a technique only for rich people.

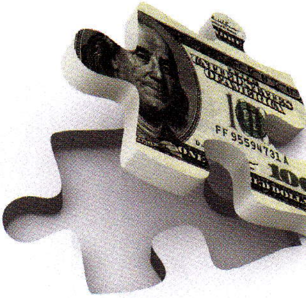
But all taxpayers can use the tax law to their benefit to the degree that seems to make sense. No one is required to pay more tax than the law demands. There are several basic tax-cutting strategies, and most plans involve one or a combination of them.

In a nutshell, the strategies are:

- Splitting income among several family members or legal entities in order to get more of the income taxed in lower brackets. (Be aware of the "kiddie tax.")
- Shifting income from one year to another in order to have it fall where it will be taxed at lower rates.
- Shifting deductions from one year to another to place them where the tax benefit will be greater.
- Deferring tax liability through the investment choices you make and by making retirement plan contributions.
- Structuring your affairs to obtain a tax deduction for some expenses paid for things you enjoy – a vacation home, for example.
- Investing your money to produce income that is taxed at more favorable rates, or that is exempt from either federal or state income taxes, or both.

Your tax-cutting c

Review the following checklist of often-missed deductions, credits, and elections to see where you can cut your taxes. Be aware that certain expenses are deductible only to the extent that they exceed specific thresholds set by the tax law.



at work

- ☐ Employer-sponsored retirement plans (401(k)s, IRAs, etc.).
- ☐ Education assistance benefits.
- ☐ Dependent care assistance programs.
- ☐ Check with your employer about other benefits.

close to home

- ☐ Mortgage points paid on new home loans.
- ☐ Home-office expenses (strict requirements – get the specific rules).
- ☐ Home improvements done for medical reasons, such as elevators, spas, swimming pools (to extent property value isn't increased).
- ☐ Exclusion of up to $250,000 of profit in a home sale for singles; up to $500,000 for marrieds.
- ☐ Deduction for mortgage insurance premiums.

in business

- ☐ Gifts of a nominal value to clients and customers.
- ☐ Option to expense a certain amount of equipment purchased each year.

necklist

- ☐ Year-end bonuses to employees.
- ☐ Business use of your car – actual expenses or mileage.
- ☐ Allowable amount of transportation and parking benefits provided to employees.

for investors

- ☐ Worthless investments.
- ☐ Retirement account fees, if paid separately.
- ☐ Fees for investment advice.

relatively speaking

- ☐ Earned income credit for low-income workers.
- ☐ Child tax credit.
- ☐ Family tax credit.
- ☐ Medical expenses of a parent for whom you provide over 50% support.

this and that

- ☐ Retirement plan contributions if you qualify.
- ☐ Gambling losses and directly applicable expenses up to the amount of winnings.
- ☐ Casualty losses in a federally declared disaster area.

elections worth analyzing

- ☐ To file joint or separate returns (especially where one spouse has large medical expenses).
- ☐ To forego the net operating loss carryback.
- ☐ To deduct disaster loss in year of disaster or prior year.
- ☐ To elect S corporation status for your closely held corporation.

Today's tax laws are so complicated that unless your financial affairs are very simple, you will benefit from at least occasional assistance from a professional tax preparer.

It's too easy to overlook deductions and credits to which you are entitled if you prepare only one tax return a year – your own. The professional who prepares hundreds knows what to look for and what's available to cut your tax bill.

You should have a basic understanding of tax planning and the tax law so that you can provide your accountant with information that may produce lower taxes. You need to know what questions to ask. It is also a good practice to involve your accountant in financial transactions *before* they take place so that consideration can be given to the tax consequences.

Leave the technical details to your accountant, but understand enough about taxes so that you can work in partnership to achieve the lowest tax bill possible.

Tax-cutting strategies change as the law and your circumstances change. To avoid pitfalls and identify tax-saving opportunities, contact us. We are here to help you minimize your taxes and keep more of what you make.

Use your accountant wisely

Not only is the tax law complex, the rules change every year. That gives taxpayers two good reasons to get professional help in preparing their returns. But your accountant can do the best job for you only if you get involved in the process. Here are ways to get the most value from your accountant.

▶ **Call your accountant before making major financial decisions.** Also see your accountant before year-end. Talk over last-minute moves to cut your upcoming tax bill, such as prepaying property taxes or selling stocks and bonds to generate deductible losses.

▶ **Organize your records.** Scan your prior year's tax return to remind you of your usual deductions and sources of taxable income. Then search through your checkbook, credit card statements, and receipts. Add up totals for medical expenses, union dues, mortgage interest, donations to charities, and work-related expenses. Jot down questions you need to ask at your tax appointment.

▶ **Schedule your tax appointment well before the filing deadline.** Afterward, you may need time to chase down missing records or resolve other problems before the deadline.

▶ **Be prepared.** Go to your tax appointment with W-2s, 1099s, K-1s, and any other documents or forms that state, "Save this for preparation of your tax return."

▶ **Final tip:** Your accountant can also help you with estate planning, business planning and valuation, and college or retirement planning. To get the most from your accountant, be sure you utilize the full range of your accountant's tax, financial, and business skills.