

Year-end tax planning

There are many tax issues that need to be reviewed before the end of the year. Congress has given us chances to save and traps to avoid. The secret to year-end planning is pretty simple but you must act now.

The secret is to look at the impact of taxes over two tax years – 2008 and 2009. The goal to tax planning is to cut your tax bill over both years, not just one.

Standard Deduction versus Itemized Deductions

If your 2009 itemized deductions won't quite hit the mark, you can take some of the itemized deductions early or vice versa.

- Taxes – pay your 2009 property taxes in 2008
- Interest – make the January 2009 mortgage payment before the end of the year.
- Gifts to charity – donations planned for 2009 can be accelerated to this year.

Remember the state and local sales tax in lieu of income tax. You can deduct the actual tax paid or an amount in IRS tables.

Car buyers can add sales tax paid to the table amount – thus it might be worth buying the vehicle before December 31st.

Energy Saving Home Improvements

It may pay to hold off some energy improvements until 2009. Next year the tax credits and the caps are bigger and better.

Charity from the IRA

Congress restored this break for 2008 and 2009. If you are 70 ½ or older and don't need the money in your IRA to live on – give a direct payout from the IRA to charity. You won't owe tax on the money but you don't get a deduction for the donation.

Business Taxes

Professionals can delay their year-end invoices to collect less in 2008 or speed them up. Delay year-end bonuses so they aren't taxed until 2009 but be careful if you are the majority owner. Buy that capital asset now or wait until 2009.

Who is Self-Employed?

If you are in business for yourself, or carry on a trade or business as a sole proprietor or an independent contractor, you generally would consider yourself self-employed and you would file Schedule C with your Form 1040.

If you are self-employed you must pay Self-Employment Tax

Self-employment tax (SE tax) is a social security and Medicare tax primarily for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of most wage earners.

If you are self-employed you must pay Estimated Taxes

This applies even if you also have a full-time or part-time job and your employer withholds taxes from your wages. Estimated tax is the method used to pay tax on income that is not subject to withholding. If you don't make quarterly payments you can be penalized for underpayment at the end of the tax year.

The IRS Is Watching:

The department of Justice has sued a Dallas, Texas tax preparation service, alleging it filed fraudulent returns. The complaint against Sameday Tax Services and its owner alleges he used fuel tax credit, telephone excise refunds and other credits to file more than 1,100 returns with more than \$1 million in combined fraudulent credits. The owner will be barred from filing any more federal tax returns.

A former business operator in Buffalo, GA who was convicted of presenting false claims to the federal government has been sentenced to 18 months in prison. The owner and operator of Global Tax Preparation prepared and submitted to the IRS 43 false federal tax returns for a total of \$120,371 in refunds to taxpayers who were not entitled.

These are just two examples of the work the IRS and Department of Justice is doing to catch and prosecute people/companies that have violated the public trust.

SWTC Can Help

SWTC will give you peace of mind for the upcoming tax season. Our continuing education and membership in tax professional organizations keeps us current with tax law changes. Our M.B.A with concentration in accounting, gives us the tools to prepare and maintain your financial statement for the tax return.

Tips to Ensure Year-End Charitable Contributions Can Be Deducted?

With the year-end charitable giving season upon us, below is a list of reminders with regard to making and claiming charitable contributions for federal income tax purposes. While the list is not exhaustive, it contains some of the more common issues that can keep individuals from claiming charitable contribution deductions on their tax returns.

Meet the substantiation requirements. For contributions of cash or property, always get a receipt from the charity. If the contribution of property is in excess of \$5,000, a qualified appraisal of the donated property must be obtained.

Meet the reporting requirements. If you have made a gift of property in excess of \$500 you must file Form 8283. Additionally, if you have made a gift of property in excess of \$5,000 (other than publicly traded securities)

you must complete the appraisal summary on Form 8283, Section B and have the charity complete and sign Part IV of such section.

Understand the adjusted gross income percentage limitations. Charitable contributions for any given year are only deductible up to a certain percentage of your adjusted gross income for the year in which the contribution is made.

Understand the timing rules. Contributions made by check are considered delivered on the date they are mailed. Contributions made by credit card are considered made on the date of the charge and must be deducted in the year that the charge occurs.

Confirm that the organization is a qualified organization. Political organizations (organizations that participate in political campaigns or attempt

to influence legislation) are not qualified organizations.

Know the rules for pledges. Pledges to make a contribution are generally not deductible until payment is actually made.

Do not deduct contributions of services or use of property. No deduction is allowed for the performance of services for a charity (e.g., artistic performance, professional services, etc.) or for the value of permitting a charity to use your property. However, you may deduct mileage and out-of-pocket expenses paid in providing services to a charity.

Beware of tickets to fundraising events. When purchasing tickets to a fundraising event, you must reduce the charitable contribution by the value of the event.

Laugh Out Loud

Las Vegas Churches

This may come as a surprise to those not living in Las Vegas, but it is a very spiritual city, with more Catholic churches than casinos!

Not surprisingly, some worshipers at Sunday services will give casino chips rather than cash when the donation tray is passed.

Since they get chips from many different casinos, the churches have devised a method of turning the chips into cash. They send all their collected chips to a nearby Franciscan monastery, where the patient and detail-oriented men sort and count the chips. The chips are then taken to the casinos of origin and cashed in.

This is done by the chip monks. You didn't even see it coming, did you?

Motivational Quote

"A government big enough to give you everything you want, is strong enough to take everything you have."

Thomas Jefferson