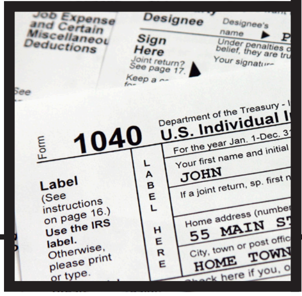

From the office of:

CLIENT TAX HANDOUT

23 YEAR-END TAX PLANNING TIPS

Time Your Income and Deductions

- Accelerate income in light of the elimination of the Adjusted Gross Income phase-out of itemized deductions.
- Consider recognizing long-term capital gains to take advantage of the current maximum 15% tax rate.
- Consider recognizing capital losses to offset any realized capital gains.
- If you have lent money to someone and may not collect it, take the necessary steps to ensure a bad debt deduction before year-end.

Alternative Minimum Tax Planning

- Estimate your exposure to the Alternative Minimum Tax and, if appropriate, accelerate income, such as business income, and/or defer deductions, such as state tax and real estate tax payments.

Bunch Your Expenses

- Use any remaining balance in your flexible spending account. Also, estimate your expenses and take advantage of your company's flexible spending account for next year.
- If you are funding education expenses eligible for either a credit or deduction, consider if you get a better advantage by paying the spring tuition in December or waiting until January.

Business Tax Moves

- If you have a C corporation, consider paying dividends before year-end to take advantage of the current maximum 15% individual tax rate while at the same time helping eliminate potential issues with the accumulated earnings tax.
- If you invested in a small business and have suffered a loss, consider disposing of the stock to secure a section 1244 ordinary loss deduction.

Take What the Law Gives You

- Consider converting a regular IRA to a Roth in light of depressed market.
- If you have a business, consider purchasing needed equipment to take advantage of up to $139,000 immediate deduction for such purchases of new or used equipment (as long as the total equipment purchases are less than $560,000 and the business has taxable income) and the temporary 50% bonus depreciation for new equipment.
- Purchase a new automobile to use in your business to take advantage of the special extra first-year depreciation of up to $8,000. Purchase a qualifying SUV for your business to take advantage of up to $25,000 of first-year immediate deduction, possibly 50% bonus depreciation for new automobiles, and depreciation on the remainder.
- If you are a surviving spouse and immediately before the death of your spouse you both would have met the tests, remember that a recent provision allows you to exclude up to $500,000 of the gain on the sale of your principal residence if you sell it within two years of your spouse's death.
- Make IRA and retirement plan contributions early, especially if the market is down, to take advantage of future appreciation inside the tax-deferred or tax-free account.

Shift Income to Taxpayers with Lower Marginal Rates

- Reduce your future tax by making gifts to others and shift the future appreciation to the donee. Consider gifts of both the annual exclusion, presently at $13,000 per person, and the lifetime exemption of $5,120,000.
- Consider using Independent 529 plans for college savings for children or grandchildren. Generally, these plans are protected from tuition inflation, provide a guaranteed discount rate, and offer a state tax deduction.
- Take advantage of the 0% capital gains tax rate if you are in the 10% or 15% tax rate bracket, or by gifting appreciated stock to someone else in the 10% or 15% tax rate bracket. This may not work for children subject to the kiddie tax who are taxed at the parents' tax rate, but it can be advantageous for older children and elderly relatives.
- Pay tuition and medical expenses of family members with no income or gift tax consequences.

Keep Organized Tax Records

- If you estimate you will owe tax for the year, consider increasing your withholding before year-end to minimize or eliminate any potential penalties for not paying in enough taxes.
- Remember the rules for obtaining and retaining documentation for charitable contributions. Generally if the donation is $250+, you must obtain a written receipt from the organization. If the donation is made with cash, you must obtain a written receipt from the organization, regardless of the amount. If the donation is a car that the charity sells, generally your deduction is based on the sales price the charity obtains.
- If the donation is non-cash and the value of all similar items donated during the year exceeds $5,000, generally you must obtain an appraisal of the property to secure a tax deduction.

Look to the Future

- If you believe your tax rates will increase in the subsequent year, consider deferring deductions, such as state income taxes and charitable contributions, until that subsequent year.
- Prior to engaging in any transactions, consult with competent tax counsel to determine the tax implications of the proposed transactions. This advice isn't intended or written to be used for the purpose of avoiding penalties and cannot be used for that purpose.

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