

**TAX TALK**  
**BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION**

**YEAR-END TAX PLANNING – ARE YOU READY?**

It is the beginning of October and in order to properly plan for year-end 2009, it is time to consider some tax planning strategies.

**Look at your investment portfolio**

It is time to determine if you have any capital gains that you will have to report in 2009. Keep in mind that you are allowed to offset capital gains with capital losses. You have until December 31<sup>st</sup> to sell any securities that will generate a capital loss. You are entitled to offset all capital gains and are allowed \$3,000 of loss against ordinary income. If your capital losses exceed your capital gains by more than \$3,000, the excess is carried over to future years. I strongly recommend that you proceed with caution. While you do want to sell securities that will generate a loss, you would not want to sell securities that you feel are good securities that are just temporarily down in value.

**Look at expiring tax provisions**

The economic stimulus package of 2009 contained many provisions that will expire in 2009. While it is probably too late to take advantage of the first-time homebuyer credit if you are not already in the process of buying a home (home must be closed on before December 1, 2009), it may not be too late to take advantage of the additional sales tax deductions allowed for automobiles purchased in 2009.

**Look at your business**

If you are either a shareholder of an “S” corporation, partner of a partnership, member of an “LLC” or a sole proprietor, then you must look at your profit or loss to date and try to project results through December 31<sup>st</sup>. There are many avenues open to possibly lower your income taxes when there is a business involved. As discussed in previous articles, the economic stimulus package gives large incentives to purchasing equipment before year-end. These incentives include an \$8,000 first year bonus depreciation on luxury vehicles, up to \$250,000 of first year expensing on most depreciable assets used in a trade or business and 50% bonus depreciation for most new property purchased before 2010.

There may be additional planning for your business such as setting up a pension or profit sharing plan or ways of deferring income until 2010.

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**Look at you itemized deductions, AMT and overall income level**

Certain deductions such as medical expenses are subject to a limitation based on your Adjusted Gross Income (AGI). It is therefore sometimes advantageous to try to bunch your expenses. In other words instead of winding up just below the 7.5% threshold in both 2009 and 2010, you may be able to defer some 2009 medical expenses to 2010. There may also be reason to prepay state income taxes for deductibility purposes or postpone those payments until 2010 if you would receive greater benefit in 2010. You may wind up with a greater benefit by deferring state income tax payments, if for example you were subject to the Alternative Minimum Tax (AMT) in 2009, but not in 2010. In addition, based on the economic conditions of 2009 a number of individuals may have less income in 2009 than they expect to have in 2010 and therefore may want to accelerate income in to 2009 instead of deferring it to 2010.

**Conclusion**

This article gives only basic strategies and unless you plan for your particular situation, you may find some unexpected consequences in April such as being subject to the AMT. It is definitely that time of year that you should be contacting your tax professional in order to keep as many options as possible open to you.