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Oct. 20, 2014



As 2014 draws to a close, there may be more planning opportunities than ever before, but also more traps for the unwary, according to Grant Thornton LLP.

More than 50 popular tax provisions expired at the end of 2013. Without legislative action, businesses won't get a credit for research activities or be able to immediately deduct one-half of the cost of new business equipment. Individuals would lose benefits like the ability to deduct tuition and state and local sales taxes. Grant

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executives and business owners:

- 1. Accelerate deductions and defer income.** Deferring tax is a cornerstone of tax planning. Generally, this means accelerating deductions into the current year and deferring income into next year. There are plenty of income items and expenses you may be able to control. Consider deferring bonuses, consulting income or self-employment income. On the deduction side, you may be able to accelerate state and local income taxes, interest payments and real estate taxes.
- 2. Bunch itemized deductions.** Many expenses can be deducted only if they exceed a certain percentage of your adjusted gross income (AGI). Bunching itemized deductible expenses into one year can help you exceed these AGI floors. Consider scheduling your costly non-urgent medical procedures in a single year to exceed the 10 percent AGI floor for medical expenses (7.5 percent for taxpayers age 65 and older). This may mean moving up a procedure into this year or postponing it until next year, when you'll have more medical expenses. To exceed the 2 percent AGI floor for miscellaneous expenses, bunch professional fees like legal advice and tax planning, as well as unreimbursed business expenses such as travel and vehicle costs.
- 3. Make up a tax shortfall with increased withholding.** Don't forget that taxes are due throughout the year. Check your withholding and estimated tax payments now while you have time to fix a problem. If you're in danger of an underpayment penalty, try to make up the shortfall through increased withholding on your salary or bonuses. A bigger estimated tax payment can still leave you exposed to penalties for previous quarters, while withholding is considered to have been paid ratably throughout the year.
- 4. Leverage retirement account tax savings.** It's not too late to increase contributions to a retirement account. Traditional retirement accounts like a 401(k) or individual retirement account (IRA) still offer some of the best tax savings. Contributions reduce taxable income at the time that you make them, and

you don't pay taxes until you take the money out at retirement. The 2014

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6. **Leverage state and local sales tax deduction.** If you itemize deductions, you can elect to deduct state and local sales tax instead of state income taxes. This is valuable if you live in a state without an income tax, but can also provide a bigger deduction in other states if you made big purchases subject to sales tax (like a car, boat, home or all three). The Internal Revenue Service (IRS) has a table allowing you to claim a standard sales tax deduction so you don't have to save all your receipts during the year. This table is based on your income, family size and the local sales tax rate, and you can add the tax from large purchases on top of the standard amount. If you've already paid enough sales tax that you'll make this election for 2014, consider making any planned large purchases before the end of the year. If you wait to make the purchase in 2015 and won't be electing to deduct sales tax that year, you won't get any tax benefit.
7. **Don't squander your gift tax exclusion.** You can give up to \$14,000 to as many people as you wish in 2014, free of gift or estate tax. You get a new annual gift tax exclusion every year, so don't let it go to waste. If you combine gifts with a spouse, you can give up to \$28,000 per beneficiary, per year. For example, a couple with three grown children who are married could give each couple \$56,000 each and remove a total of \$168,000 gift tax free in a single year. Even more could be given tax free if grandchildren are included.
8. **Understand the new home office deduction safe harbor.** You can deduct some of the cost of your home if you use your home as your principal place of business, use it to meet clients and customers in the normal course of business, or your office is a separate structure not attached to your home. The amount of this deduction has long been a source of controversy, but the IRS has a new safe harbor this year that allows you to deduct up to \$5 per square foot of home office space up to \$1,500 per year.
9. **Maximize "above-the-line" deductions.** Above-the-line deductions are valuable because you deduct them before you calculate your AGI. They are allowed in full

and make it less likely that your other tax benefits will be limited. Common above-

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sponsored programs that could reduce your taxable income. Health and flexible spending accounts for dependent care or medical expenses allow you to use pre-tax dollars. Remember, it's never too early or too late to start planning for the future!

Income Tax • Taxes

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