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**Ken Berry, JD** • Apr. 14, 2015



Usually, a transaction that occurs during the tax year is reflected on the tax return for that particular year. For instance, if you realize a capital loss on the sale of stock in 2015, the loss offsets tax liability on your 2015 return. But that's not always the case.

Notably, the tax law authorizes several “carryovers” in certain situations. By tracking carryovers from past tax years for clients, you can save taxes for the current year and

maximize those savings with astute planning. In fact, now that the 2014 tax filing

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client in the top 39.6 percent bracket carries over a \$10,000 capital loss from 2014. By selling appreciated stock at a \$10,000 gain before the end of this year, the client potentially avoids a \$3,960 tax bill.

**2. Charitable deductions.** The tax law imposes various percentage limits on charitable deductions claimed by individuals. For instance, the maximum deduction you may claim for gifts of appreciated property is limited to 30 percent of adjusted gross income (AGI). If a client exceeds the 30 percent threshold, or another charitable deduction limit, the excess is carried over but only for five years. Thus, a client in this situation might realize additional income in 2015 that will be offset by the charitable deduction amount carried over from 2014.

**3. Home office deductions.** For small business owners who qualify under strict rules, a home office deduction may offset income from business activities. But the home office deduction is limited to your gross income from the business minus business expenses (other than home office expenses). Any excess is carried over until it is exhausted. Keep in mind that the excess deductible amount that is carried over is subject to the same limits in the following year.

**4. Net operating losses.** The rules for net operating losses (NOLs) are trickier than the others. With a NOL, the business owner carries back the loss for two years before it is carried forward for a period of up to 20 years. However, if it suits your client's purposes, you can elect to forego the carryback and go straight to the carryforward. This might be advisable if the prior two years were low-tax years for the client and he or she expects 2015 to be a high-tax year.

These are four common situations where your expertise can result in significant tax savings for clients. When it is appropriate, don't wait for clients to come to you, be

proactive. They won't resent it if you're saving them tax money!

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