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## PRODUCT & SERVICE GUIDE

# 2014 Tax Tips – Overview of Changes to Credits and Deductions

Must know tax advice for 2013

Nov. 20, 2013

Nov. 20, 2013 — The IRS defense company [TaxAudit.com](#) has released its annual end-of-year tax tips for U.S. taxpayers. The company represents about 20,000 taxpayers each year during income tax audits.

Reminders for fourth quarter tax planning:

- **Know your tax rate:** While ordinary federal income tax rates for 2013 will remain the same, the fiscal cliff legislation passed earlier this year affects higher-income individuals and puts them in the 39.6% tax bracket (up from 35%).
- **Consider leveraging itemized deductions** by bunching deductible expenditures every other year, while taking the standard deduction in intervening years.
- **Consider deferring income** if you expect to be in the same or lower tax bracket for 2014.
- **Consider the tax impact of selling appreciated securities** by timing your investment gains and losses. Selling some loser securities before year end may also be a smart tax strategy.
- **Take advantage of the special tax breaks** available to you if you make charitable contributions directly from your IRA; special rules apply.
- **Remember that significant lifestyle changes** like divorce, a job change, retirement or becoming a home buyer affect your taxes.

- Spend down flexible spending accounts before those balances expire.
- Go green: Purchasing energy-efficient appliances can mean big tax credits.
- Changes to IRS tax laws effective for 2013 – know which changes affect you:

Rules for home office deductions have also changed. New this year is a simplified option for a maximum standard \$1,500 deduction. Also, rules for depreciation have changed, many refundable credits are disappearing, and a new 3.8% Medicare Investment Tax and a 0.9% Medicare Health Insurance Tax will affect many higher-income individuals due to recently enacted health care legislation.

### **Tax provisions expiring after 2013:**

For individuals:

- Above-the-line deduction for certain expenses of elementary and secondary school teachers.
- Deduction for state and local sales taxes.
- Above-the-line deduction for qualified tuition and related expenses.
- Deduction for mortgage insurance as qualified interest.

For businesses:

- Research and experimentation tax credit.
- Work opportunity tax credit.
- Increase in expensing to \$500k/\$2M and expansion of definition of \$179 property.
- 15-year straight-line cost recovery for qualified leasehold, restaurant and retail improvements.

Note that these tips are best taken advantage of in consultation with a tax professional such as a CPA or EA.

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