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Plan Now to Reduce Taxes Due in April

As the year winds down, it may be time to take advantage of some last-minute strategies to reduce the income tax bill due in April. The following are the top 10 year-end tax savings strategies for 2008:

- 1) **Go Shopping.** Business owners who need additional equipment, computers, or office furniture should invest now. There are several options available to increase business deductions this year. Many businesses can write off up to \$250,000 in equipment purchases for a direct reduction in their taxable income. Others can deduct 50 percent of new equipment purchases now and take the rest in future years. Either way, it's a good deal for small business owners and may help to spur the economy as well.
- 2) **Clean Out a Closet.** Clothing, furniture and other household items in good condition can be donated to charity and their fair market value can be used as a tax deduction for many taxpayers.
- 3) **Clean Out Your Stock Portfolio.** Anyone lucky enough to have some realized capital gains this year may want to evaluate any loss positions. Capital losses will offset any taxable gains. In addition, many taxpayers can take an additional \$3,000 capital loss deduction.
- 4) **Buy a House.** Home buyers may be able to take advantage of the new First Time Homebuyer's Credit. This credit is actually an interest free loan for up to \$7,500 and must be repaid over 15 years.
- 5) **Accelerate Deductions.** People who can prepay certain items before year end, such as income taxes, property taxes, mortgage payments and charitable contributions, may be able to save some money. Taxpayers should consult their tax advisors before using this strategy, because the dreaded alternative minimum tax can be a factor. In Iowa, taxpayers can prepay their federal taxes and reduce their Iowa income taxes as well.
- 6) **Delay Income.** Taxpayers who can delay billing or finalizing certain transactions until after the first of the year can defer some taxes. Taxpayers should evaluate what their respective tax rates are for the current year and for 2009 when using this strategy.
- 7) **Maximize Retirement Plan Contributions.** Employee contributions to employer-sponsored plans are one of the best options available to defer income and receive tax-deferred growth. Generally, taxpayers can contribute up to \$15,500. People age 50 or older can contribute up to \$20,500. For 2008, the maximum deductible IRA contribution is \$5,000 or \$6,000 for those 50 or older. Make retirement contributions through April 15. People with retirement plans at work may find their contributions may be limited.

- 8) **Donate Appreciated Assets to Charity** People who have long-term capital assets and also plan to make a charitable donation should consider giving the asset to charity instead of giving cash. For example, a taxpayer may have appreciated land. If the asset is given to a charity who lets it be sold, there is no tax on a capital gain. The taxpayer also gets a charitable contribution for the full fair-market value of the land.

- 9) **Contribute to a School Tuition Organization.** Contributions to a school tuition organization can yield an Iowa income tax credit and a tax deduction. People who owe Iowa income taxes will find this beneficial. Go to www.iowaace.org for a list of school tuition organizations.

- 10) **Save Some Money for College.** Taxpayers can contribute up to \$2,685 per beneficiary toward future college expenses. For details, check the College Savings Iowa Web Site at <http://collegesavingsiowa.uii.upromise.com>