

YEAR-END TAX REMINDER

OCTOBER 2008

Below are a few tax planning strategies that you can take advantage of before 12/31/08 (please note that each taxpayer's situation is unique and these strategies may or may not apply to you):

1. Making your January 2009 mortgage payment on your residence before the end of this year allows you to deduct the interest portion in 2008.
2. Increase your retirement savings plan at work by maximizing your employee contributions (401k, 403b, Simple IRAs, etc.). Annual employee contributions to your retirement account need to be maximized before 12/31/08 because they can not be added to the next year's limit. The old saying applies "Use It or Lose It".
3. If you normally face a tax liability at year end, you may want to increase your tax withholdings deducted from your employer in order to spread out the payments throughout the year instead of having a large tax bill when filing your tax returns. Granted your paycheck will be less every pay period; however, you may not have to write a large check come tax time (example: on form W-4 change from Married to Married, but withhold at higher Single rate).
4. Pay current real estate taxes in 2008 that you may have otherwise put off paying until 2009. Also, for those taxpayers that don't itemize but pay real estates taxes, there was a new law passed that increases your standard deduction for state and local property tax paid, so let us know the amount paid when we are preparing your taxes.
5. Contribute to a New York 529 education savings plan for your children, grandchildren, nephews, nieces, etc. (New York residents; maximum deduction for singles is \$5,000 and for married filing jointly is \$10,000).
6. Pay state and city estimated taxes that are due by 1/15/09 during December 2008.
7. Make charitable contributions before year end (please note that the deduction verification by the IRS has gotten more stringent; therefore, please keep receipts via credit cards, canceled checks and letters or receipts from charitable organizations).
8. Pay medical expenses in 2008 that you may otherwise have put off paying until 2009 (charges on a credit card in December 2008 that are not paid by year end will still result in a deduction for 2008).
9. Put money aside for contributions to a traditional or Roth IRA. Contribution amounts for 2008 have increased to \$5,000 for taxpayers under 50 years old and \$6,000 for over 50 (these contributions can be made by 4/15/09 for a 2008 tax deduction; however, the allowable contribution amounts can not be determined until your return is complete).
10. Evaluate your securities portfolio to take the steps necessary to minimize your capital gain income and maximize the benefit of any capital losses, especially this year, when the stock market took its roller-coaster ride. (Please consult your financial representative before making any decisions).
11. Self-employed individuals may want to pay certain business expenses (i.e. vendors, office supplies, equipment, etc.) in December 2008 that you may otherwise wait until 2009 to pay or delay year-end billings to collect less in 2008. Both can reduce self-employment and income

taxes; however, the Internal Revenue Service will balk if there's too much distortion of annual earnings.

12. Also, self-employed individuals may want to explore the option of a business sponsored retirement plan such as a SEP-IRA or Individual 401k plan.

Although gift giving doesn't reduce income tax, it can reduce estate taxes. Before year-end 2008, you can transfer up to \$12,000 per person, per year, without paying gift tax on the amounts transferred. Married couples can gift \$24,000 per person by "splitting" their gifts. In 2009, the annual exclusion rises to \$13,000 (\$26,000 for couples). This strategy not only avoids the possibility of paying a hefty estate tax later, but it removes earnings from those gifts from your taxable income bracket.

In addition, for those who have purchased a house for the first time after April 8, 2008 or who plan on purchasing before July 1, 2009 we have attached the new "credit for first-time homebuyers" that was signed during 2008. The IRS defines a "first time homebuyer" as an individual who has not owned a principle residence for the three years before the purchase.

As mentioned earlier, everyone's tax situation is unique and some of these tax planning steps may or may not apply to you; therefore, please don't hesitate to call our office to discuss your personal situation in further detail.