Five year-end tax tips

Moves you can make now to save money on your 2013 tax return

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A few simple steps you can take now will pay dividends when tax time rolls around next April, says Steve Gross, CPA, a partner at Skoda Minotti.

"Start now as opposed to waiting until late December and rushing to accomplish your goals. There are some very simple strategies you can follow now to reap the benefits when tax time arrives," Gross says.

Smart Business spoke with Gross about tax tips, including a credit that is scheduled to expire this year.

What are some basic things to consider to reduce tax liability?

A few things you might want to look at are:

- **Charitable contributions**. Make any donations before the end of the year — you can put the donation on a credit card, even if the card payment isn't due until January 2014, and still list the deduction in 2013. If you aren't an itemized taxpayer, you may consider accelerating your 2014 pledges, whether that is one or several, to reach the totals needed to itemize and take advantage of the deduction. This also applies to pass-through entities; if you're an owner of a partnership or shareholder in an S corporation, donations are deducted as a separate line item.

  Another opportunity to realize charitable contributions is to donate unused or unwanted — but still in usable condition — household items and clothing to a qualified charitable organization. By doing so, you'll get a deduction for the fair market value.
- **Estimated tax payments**. While fourth quarter estimated federal and state taxes are not due until Jan. 15, you could pay the state estimate by Dec. 31 and get the deduction this year.

  You may also consider accelerating payment for your real estate taxes. Some taxpayers who don't itemize every year because they don't have enough in deductions can pay the entire real estate tax bill for one full year in January, and then again in full in December of the same year. This may help you reach the limit to itemize.
- **Capital gains and losses.** If you've sold stocks and had capital gains, it might make sense to look at your portfolio for any loss positions you might want to sell to offset the gains. The capital gains tax increased from 15 to 20 percent in 2013, and gains may be subject to the 3.8 percent additional Medicare tax on excess passive income.
- **Energy credits**. The residential energy credit, which technically expired at the end of 2011, was reinstated through 2013 and provides up to 10 percent of qualified expenses, up to a $500 lifetime limit, for the installation of energy-saving exterior doors, windows or air conditioners.
- **Business property**. Under Section 179 of the tax code, you may elect to deduct the cost of qualified business property purchased and placed in service during the year. The maximum deduction allowed for 2012 was $500,000, subject to a phase-out for acquisitions above $2 million.

  Under the American Taxpayer Relief Act of 2012 (ATRA), these limits are extended through 2013. Absent new legislation by Congress, the maximum allowance will plummet to $25,000 in 2014. The ATRA also preserves 50 percent bonus depreciation on any remaining cost of qualified property your business places in service this year.

  The bonus depreciation tax break is generally scheduled to expire after 2013.

Are these things you should be reviewing every year?

Yes. In addition, pay careful attention to the fair market value of the non-cash charitable contributions. Many organizations provide guidelines for establishing the fair market value of used property.

Tax rates are not changing in 2014, but when there is a major change in rates, depending on which way they're going, that might influence what you do in a particular year. Your tax adviser should be in-step with the changes in tax law and if they will affect you. It would be impossible for any taxpayer to fully understand the variety of scenarios, given the complexity of 'if/then' situations surrounding deductions. ●