

CLIENT LINE

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2011 ANNUAL YEAR END TAX SAVING STRATEGIES



Welcome to 2012!

It is time to begin preparing for the 2011 tax season (I know some of you are still working on 2010) and to take last minute actions to reduce the tax bill and increase refunds for the business and personal returns that will be filed in the Spring!

Here are a few reminders and new ideas for the 2011 income tax filing period.....

Sell Stocks Held in Taxable Accounts

Selling losing investments held in taxable brokerage firm accounts can lower your 2011 tax bill if you have incurred sale gains because you can deduct the resulting capital losses against any capital gains racked up during the year. If your losses exceed your gains, you'll have a net capital loss for the year. You can deduct up to \$3,000 of net capital loss against your 2011 ordinary income from salary, self-employment activities, alimony received, interest or whatever (the net capital loss deduction limit is only \$1,500 if you used married filing separate status). Any excess net capital loss is carried forward to 2012 and beyond and will generate future tax savings. So I don't think you should hesitate to unload shares you want to get rid of anyway

Use Your Credit Card!

If you have year-end deductible expenses you can use your credit card to make the purchase in 2011, take the deduction in 2011, and pay your credit card bill in 2012. When you pay with a credit card, the IRS considers the expense deductible in the year that the charge is incurred... and not necessarily when you **pay** the credit card bill.

In fact, you can even find charitable organizations that accept credit cards for contributions!

Prepay Deductible Expenditures

Accelerating deductible expenditures into this year to produce higher 2011 write-offs makes sense, but only if you expect to be in the same or lower tax bracket next year.

Perhaps the easiest deductible expense to prepay is included in your house payment that will be due on January 1. Accelerating that payment into this year will give you 13 months' worth of deductible interest in 2011. You can pull the same prepayment trick with a vacation home. The catch: If you prepay this year, you'll have to continue the policy for next year and beyond.

Business Vehicles/Sec 179

New and *used* SUVs, crossover vehicles, pickup trucks, and vans with GVWRs greater than 6,000 pounds that are purchased and placed in service during 2011 can qualify for **Section 179** expensing of up to \$250,000 on qualifying SUVs or crossover vehicles, or \$500,000 on qualifying pickup trucks and vans. See our last week's e-mail blast regarding more comprehensive explanation of this tax benefit.

Please keep in mind that to qualify for the Section 179 Deduction, the below equipment must be purchased and put into use between January 1, 2011 and December 31, 2011.

Equipment purchased for business use

Business Vehicles with a gross vehicle weight in excess of 6,000 lbs

Computer Software

Office Furniture & Office Equipment

Property attached to your building that is not a structural component of the building (i.e.: a printing press, large manufacturing tools and equipment etc.)

Tax Crime

An individual and his lawyer were properly convicted and sentenced for conspiracy to defraud the IRS and for willful failure to file returns. The individuals' contention that no government entity had power to collect taxes or enforce the internal revenue laws was rejected as frivolous.

Springer, CA-10, 2011-2 usn' ¶50, 690

IRS Seeks to Return \$153 Million in Undelivered Checks to Taxpayers

In an annual reminder to taxpayers, the Internal Revenue Service announced today that it is looking to return \$153.3 million in undelivered tax refund checks. In all, 99,123 taxpayers are due refund checks this year that could not be delivered because of mailing address errors.

Undelivered refund checks average \$1,547 this year.

Taxpayers who believe their refund check may have been returned to the IRS as undelivered should use the "Where's My Refund?" tool on IRS.gov. The tool will provide the status of their refund and, in some cases, instructions on how to resolve delivery problems.

While only a small percentage of checks mailed out by the IRS are returned as undelivered, taxpayers can put an end to lost, stolen or undelivered checks by choosing direct deposit when they file either paper or electronic returns. Last year, more than 78.4 million taxpayers chose to receive their refund through direct deposit. Taxpayers can receive refunds directly into their bank account, split a tax refund into two or three financial accounts or even buy a savings bond.



January 15th 2012 is the last estimated tax payment date for 2011 income tax estimates.

12% of taxpayers say it is acceptable to cheat on their taxes. No wonder IRS Commissioner Mark Everson has made it his top priority to go after those who shortchange the government.

Here are ten of the most common ways to bring your personal return to the attention of the Internal Revenue Service.

- **Incomplete or sloppy returns** — Math errors and missing information prompt scrutiny, as you'd expect. If the IRS computer can't make sense of what you've filed, a human has to check to find the mistake. This is one reason to file electronically: computers help to catch bonehead errors.
- **Unreported income** — This is a no-brainer. If you file a return but fail to report income received, you're heading for trouble. All of your interest, dividends, and miscellaneous income *must* be reported. Remember: everyone who sends you a 1099 is also sending one to the IRS.
- **Suspiciously low income** — If you're making much less than others in the same profession, that raises a flag.
- **Having a high income** — Though fewer than one-percent of taxpayers are audited each year, those making over \$100,000 are five times more likely to come under scrutiny.
- **Drastic changes in income** — Unexplained fluctuations in income can indicate that something was underreported somewhere. Most people don't have income that swings wildly up-and-down, and the IRS knows it.

- **Round numbers** — It's unlikely that your investment returns were exactly \$500, or that your mortgage interest deduction was \$10,000. Too many round numbers on a return are a symptom that something fishy may be going on.



- **Too many charitable contributions** — Charity is good, but too much charity can raise a red flag. If the average person in your income bracket donates about \$1000 to charity and you claim you donated \$5000, you're going to increase the odds of an audit. Be sure to save your receipts!
- **Participating in tax scams**- The IRS is trained to deal with common evasion attempts.
- **High itemized deductions** — Again, anything too far from the averages is likely to bring your return to the attention of the IRS. There's nothing wrong with claiming all of the deductions to which you are entitled, but be aware that if you have a lot of itemizations, you're more likely to be audited.
- **Disagreements between state and Federal returns** — This is another example of how sloppiness can hurt you. Be sure that your information matches on both your state and Federal returns.



Your Winter Tax Calendar

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|---------------------------|---|
| December 15 th | Time to mail final State 2011 estimated payments to receive 2011 deduction. |
| December 15 th | November monthly payroll tax deposits for IRS & State |
| December 17 th | Deadline for receiving 2011 1099 miscellaneous income payee social security and addresses in this office. |
| December 20 th | November Sales Tax due |
| January 15 th | Deadline for 4 th estimated installment to IRS and State |
| January 15 th | December monthly payroll tax deposits for IRS & State |
| January 20 th | December 2011 Sales Tax due |
| January 31 st | 4th Quarter 2011 payroll reports due |
| January 31 st | 2011 W-2s and 1099s due to payees |

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