

Tax Saving Tips—2011 Year-End Tax Planning

- Realize losses on stock while substantially preserving investment position.
- Convert investment income taxable at regular rates (e.g., interest income) into qualifying dividend income.
- Arrange with employer to defer bonus until 2012.
- Increase basis in S corporation or partnership to make possible a 2011 loss deduction.
- Use credit card to prepay expenses.
- Make energy saving improvements to your home that qualify for tax credits in 2011.
- Pay contested taxes to deduct them this year while continuing to contest them next year.
- Put equipment in service before year-end to qualify for the 100% bonus first-year depreciation allowance.
- Make expenditures qualifying for the \$500,000 business property expensing election.
- Settle insurance or damage claim if this will maximize casualty loss deduction.
- Apply bunching strategy to “miscellaneous” itemized deductions, medical expenses, and other itemized deductions to increase deductible amounts.
- Increase withholding to eliminate or reduce estimated tax penalty.
- Set up self-employed retirement plan.
- Make gifts taking advantage of the \$13,000 gift tax exclusion.
- Watch out for marriage penalty in regard to year-end marriage or divorce plans.
- Consider deferring a debt cancellation event until 2012.
- Decide whether to elect to deduct investment interest against capital gains and/or qualified dividends.
- Avoid personal holding company tax by making dividend payments.
- Take steps to avoid or minimize income tax on Social Security benefits.
- Structure real estate deal to avoid paying interest on tax deferred under installment method.
- Step up level of participation in business activity to meet material participation standard under passive loss rules.
- Dispose of passive activity to free up suspended losses.
- Ask employer to increase withholding of state and local taxes to pull the deduction of those taxes into 2011.
- Extend subscriptions to professional journals, pay union or professional dues, enroll in (and pay tuition for) job-related courses, etc., to bunch into 2011 miscellaneous itemized deductions subject to the 2%-of-AGI floor.
- Accelerate a big ticket purchase (such as a boat or car) into 2011 to qualify (if the taxpayer itemizes) for state and local sales tax deductions instead of state and local income taxes.

1515 Market Street . Suite 1700 . Philadelphia . PA 19102 . P: 215.665.8870 . F: 215.665.0613

703-B Birchfield Drive . Mount Laurel . NJ 08054 . P: 856.727.3322 . F: 856.273.3738
www.heffler.com