

## Tax Planning Considerations For 2014

By Jim Griffing, Principal Griffing & Company, P.C. and A Silver Fox Advisor

**Y**ear-end tax planning can be very productive. Proper tax planning can reduce your current and future tax liability. The following are some year-end tax planning considerations for individuals.

Review your federal withholding. If federal income taxes withheld during the year are less than your tax liability for the year, you could incur a penalty. If you are under withheld, submit a corrected Form W-4 to your employer to increase the amount of withholding for the rest of the year so you can avoid a penalty situation. Alternatively, if you are having too much withheld, you can reduce the amount your employer withholds by completing a corrected Form W-4.

Pay school tuition or medical bills for family members directly to the institution rather than giving money to the individual. Amounts paid directly to schools and medical facilities are not subject to the federal gift tax.

Maximize the effect of your charitable contributions by contributing appreciated securities instead of cash. You avoid paying capital gains tax on the appreciation and also get a tax deduction for the FMV of the securities gifted.

Accelerate charitable contributions and medical expenses. Both are deductible when charged to your credit card accounts (in 2014), rather than when you pay the credit card company (2015).

Contribute to a Health Savings Account. If you have a qualified high-deductible health insurance plan, you can reduce your adjusted gross income by the amount contributed. This money can be used in current or future years for your out-of-pocket medical expenses.

**The following deductions expired at the end of 2013, but are most likely going to be extended for the 2014 and 2015 tax years:**

**The sales tax deduction.** Sales tax on big ticket purchases is deductible in addition to the amount allowed on the sales tax tables. However, be on the lookout for Alternative Minimum Tax (AMT), which disallows tax deductions. Multi-year planning is a must if you are in an AMT situation.

**Charitable contributions from IRAs.** Consider making charitable contributions from your IRA if you have reached the required minimum distribution age of 70 ½. The amount donated can be applied to your total withdrawal amount, which lowers the overall amount of income on which you are taxed.

**Energy-efficient home improvement tax credit.** Make energy-efficient home improvements and receive up to a \$500 tax credit. This credit is worth 10 percent of the cost of certain energy-efficient home improvements and certain property, including, but not limited to: insulation, doors, windows, roofs, water heaters, and heating and air conditioning systems.

Doing a little work and focusing on your plan now can save you money when the time to file your return comes around. Tax projections can be a great way to see what your tax liability is and to have a plan in place for making changes before the year is over. ♦



James "Jim" S. Griffing, CPA, CFE

