



Plan Early...Pay Less. Tax Relief in Sight?

While April 15, 2014 seems like a long way off, we all know the inevitable tax day comes much too quickly.

Jeff Bleacher, Managing Partner at Ross Buehler Falk & Company recommends that individuals start early by getting a tax “check-up” well in advance of tax time. “This can be a very smart move this year, since the markets have done so well in 2013. There are also changes in capital gains and other related taxes that should be taken into account when doing year-end tax planning.”

Bleacher and his Partners at RBF recommend planning early. “Clients who plan early and meet with us to strategize for their tax planning tend to save money on taxes as well as saving money on tax preparation. Since we have a compressed time for preparation and filing, it just makes sense to plan ahead as much as possible for the best outcome.”

As an example of tax changes, Bleacher notes that previously the highest tax bracket for individuals was 35%, but for 2013 it will rise to 39.6%. Like other changes, this will require planning in order to best use deductions, credits and exemptions to reduce the amount of taxes owed.

1.) Make Every Deduction Count

Deductions are the most significant way to reduce taxable income. But the value of those deductions is

based on the taxpayer’s marginal tax bracket, so claiming deductions appropriately is critical.

Making contributions to a 401(k) or other retirement vehicles will reduce taxable income as will charitable donations or medical expenses. Medical expenses are only deductible in excess of between 7.5% and 10% of an individual’s adjusted gross income. Keeping receipts for medical expenses is important for taxpayers, but particularly for seniors with high medical care costs.

2.) Tax Credits Can Be Critical

Tax credits are extremely valuable to reduce tax liability dollar for dollar and with several common credits, there are many opportunities to reduce tax burden.

For example, the child tax credit can apply if a taxpayer has a qualifying child under the age of 17. This credit can reduce a federal income tax amount by up to \$1,000 per child claimed on a return. The American Opportunity tax credit will give a \$2,500 credit for undergraduate education which is calculated per student.

There are many additional credits available and Bleacher recommends that you work with a tax professional who can sort out the complex tax rules for your particular scenario. A tax professional will know which credits you can claim and can lower your tax liability as a result.”

3.) Exemptions for Individuals

Taxpayers should take full advantage of every eligible exemption. For instance, a married couple filing jointly would have an exemption for each spouse as well as one for each dependent.

W-2 employees should pay close attention so they have the right exemptions in place. While everyone enjoys getting money back from the IRS, it’s not the best way to manage money. Bleacher reminds taxpayers that there are much better ways to invest money than having the IRS keep it in their coffers.

In summary, Bleacher notes that tax preparation is complex and onerous; a process done best with professional help. He adds with an ironic tone, “We haven’t even started with the tax implications of the Affordable Care Act. That’s another matter, altogether.”

