



Anvil Tax Inc

2010-11 Tax Guide

Under Pressure Congress Passes the 2010 Tax Relief Act

Averting a multi-billion dollar tax increase, Congress passed the *Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (2010 Tax Relief Act)* on December 17th, 2010. The new law extends most of the Bush-era tax cuts for an additional two years; no one seems to be left out. Wage earners will get a new payroll credit while large estates benefit with lower tax rates. Businesses benefit with a huge tax write-off on new equipment purchases.

Individual taxpayers with incomes between \$35,000 and \$65,000 are given the biggest percentage of savings from the law. The new act extends the capital gains and dividends tax relief, provides for an AMT "patch", and a one year payroll tax cut. The most immediate impact comes from the payroll tax cut and the extension of the reduced individual tax rates.

Capital Gains and Dividends Get Special Treatment

The *2010 Tax Relief Act* extended the zero tax rate on qualified capital gains and dividends through 2012. Without the extension the maximum rate on qualified dividends would have risen to the tax rates on regular income, as high as 39.6 percent, while net capital gain would have risen to 20 percent, starting in 2011.

Under the new law you will be allowed to receive dividends and take profit on the sale of long-

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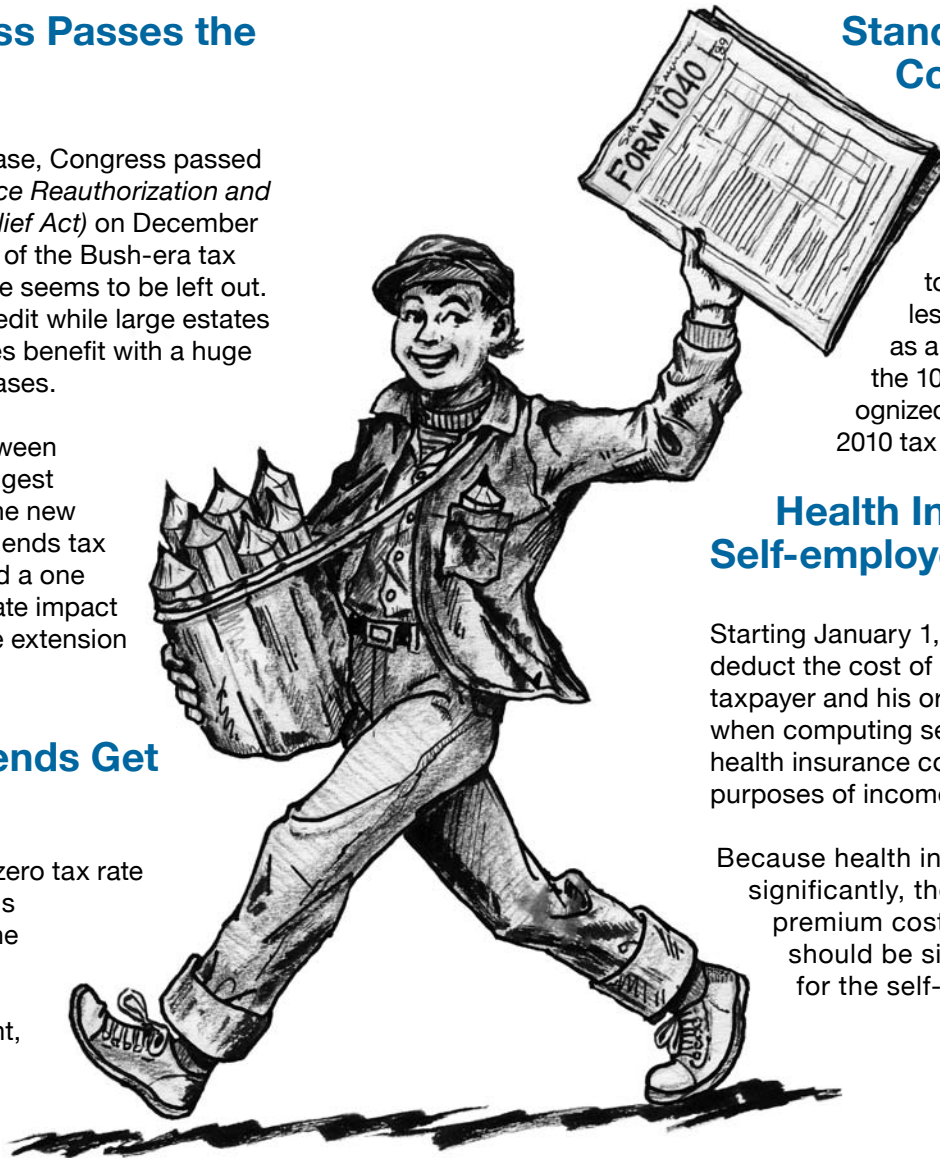
Standard IRA to Roth Conversions

Starting in 2010, individuals with any amount of income will be able to convert a traditional IRA to a Roth IRA. Under prior law this provision was only available to taxpayers with adjusted gross incomes of less than \$100,000. Conversions are treated as a taxable distribution, but are not subject to the 10% early withdrawal penalty. Income recognized from the conversion can be taxed on your 2010 tax return or averaged over two years.

Health Insurance Deductible for Self-employed in 2010

Starting January 1, 2010, self-employed individuals may deduct the cost of health insurance premiums paid for the taxpayer and his or her immediate family as an expense when computing self-employment taxes. Under the old law, health insurance costs could be deducted as an expense for purposes of income taxes but not self-employment.

Because health insurance premiums have increased significantly, the savings in being able to deduct the premium costs against self-employment and income should be significant; making this a nice tax break for the self-employed.



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term assets you've owned and pay no tax until they push you into the 25% tax bracket. To qualify for the zero rate you must have owned the assets over a year and be in the 10% or 15% tax brackets.

For 2010, the 25% tax bracket starts at taxable incomes greater than \$68,000 for married and \$34,000 for single filers. When your taxable income exceeds these amounts your dividends and long-term capital gains will be taxed at 15%. Short-term gains and long-term gains on collectibles do not qualify for these special rates.

For example, suppose you were married filing jointly and all your income was from long-term capital gains. For 2010, you would be pushed into the 25% tax bracket when your income exceeded \$68,000. If the only taxable income you had for the year was \$65,000 of dividends and long-term capital gains, none of your income would be taxed.

Use Tax Refunds to Purchase Savings Bonds

Looking to invest your tax refund this year? The Treasury Department wants to make it easy by allowing a new option for your "direct deposit" refund that purchases U.S. Series I Savings Bonds.



"Direct Deposit" is an option you can select when completing your tax return that will electronically transfer your refund directly into your bank account, as opposed to receiving a mailed refund check. It is popular because it is the fastest way to receive a refund; often in as few as 10 days.

Starting this year, you can request a portion of your refund to be used to buy up to \$5,000 in Series I Bonds through direct deposit. The bonds will be issued in the taxpayer's name. If the refund is a joint refund, the bonds are issued in the names of both taxpayers.

Because Series I Bonds must be purchased in multiples of \$50, you will probably need to designate an account to deposit any excess refunds. For example, if your refund is \$540, and you would like to invest as much as possible, you would request \$500 be used to purchase bonds and the remaining \$40, be deposited into a checking, savings, or even into a previously established traditional IRA, Roth IRA or SEP-IRA.

The purchased savings bonds will be mailed to you. Talk with your tax preparer if you're interested in purchasing Series I Bonds this year and they will help you with the paperwork.

New Hiring Incentives

During 2010 the Hiring Incentives to Restore Employment (HIRE) Act gives employers a financial incentive to hire new employees by combining forgiveness for employer paid Social Security taxes along with an additional tax credit if the new employee stays on the payroll for at least 52 weeks.

To be eligible the new employee must begin full or part-time employment from February 3, 2010 through December 31, 2010. The new employee must not have been employed more than 40 hours during the 60 days prior to his or her hire date. In addition, the new employee cannot have displaced a current employee unless the prior employee voluntarily quit or was terminated for cause.

The new law exempts employers from having to pay the 6.2 percent employer's portion of the Social Security reported on Form 941. The employee portion of the Social Security tax must still be deducted from the employee and reported as normal.



In addition to Social Security forgiveness the new law provides for a retained worker credit. If the qualified new hire is employed for at least 52 consecutive weeks the employer will receive an additional tax credit equal to the lesser of \$1,000 or 6.2 percent of the wages paid. During the 52 week period the employee's pay during the last 26 weeks must be equal to at least 80 percent of the pay during the first 26 weeks. The law excludes domestic workers and those eligible for the foreign earned income exclusion.

How Long Do I Need to Keep My Tax Records?

There are many records and documents, such as your W-2, 1099 interest and dividend statements, and so on, that support the numbers you put on your tax return. You'll need these documents should the IRS select your return for audit. Most IRS examinations go smoothly and quickly if you are well organized and can produce support for any numbers in question. On the other hand, audits can become a nightmare if you're unprepared and can't prove what's been reported.

The first step to being prepared is to organize the records at the time you're preparing the return and then keep them with your return. If some of your records need to be stored in other locations, make a copy of the document for your tax return file. If you get questioned, trying to reassemble records after a couple years have past by can be time consuming and stressful.

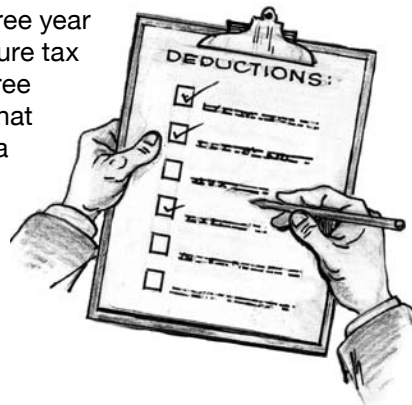


Records you should keep include bills, credit card and other receipts, invoices, mileage logs, canceled, imaged or substitute checks, proofs of payment, and any other records to support deductions or credits you claim on your return. How long you need to keep your records depends on the

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The general rule, which follows the statute of limitations, is to keep your tax records a minimum of three years. There are a number of exceptions to the three year rule. For example, if the document will affect a future tax return, such as the purchase of real estate, the three year rule won't start until the transaction closes, that is when you sell real estate. Documents, such as a medical bill, affecting only the current year can usually be destroyed after three years.



2010 and 2011 Inflation Adjustments

Each year the IRS revises the dollar amounts for a variety of tax provisions each year to keep pace with inflation. As a result, more than three dozen tax laws, affecting virtually every taxpayer, are adjusted. Because recent inflation factors have been minimal, many of these benefits will remain unchanged or change only slightly for 2010 and 2011. Here are some of the adjustments made:

Standard Deduction	2010	2011
Single	5,700	—
Married Filing Joint	11,400	—
Head of Household	8,400	—
Married Filing Separate	5,700	—
Additional amount for age 65 and blind		
Married, per person	1,100	—
Single	1,400	—
Personal and Dependent Exemptions	\$3,650	\$3,750
Mileage Rates		
Charity	14¢	14¢
Moving and Medical	19¢	19¢
Business	50¢	51¢
Social Security		
Maximum earning subject to tax	106,800	106,800
Earnings Limits at normal retirement age	14,160	14,160
Annual Gift Tax Exemption	13,000	13,000
IRA Contributions Limits		
Regular	5,000	5,000
Age 50 and older	6,000	6,000
IRA deduction phase-out:		
Single	56,000 – 66,000	56,000 – 66,000
Married Filing Joint	89,000 – 109,000	90,000 – 110,000
Spousal IRA deduction phase-out	167,000 – 177,000	169,000 – 179,000
Retirement Plan Contribution Limits		
401(k) and 403(b) plans:		
Regular	16,500	16,500
Age 50 catch-up	5,500	5,500
Simple plans:		
Regular	11,500	11,500
Age 50 catch-up	14,000	14,000
Maximum SEP contribution	49,000	49,000

Tax Rate Changes for 2010

Knowing which bracket you are in is important to understanding how different deductions affect your total tax liability.

Each year the brackets are adjusted for the effect of inflation. Below are the new rates for the year 2010.

SINGLE	RATE
\$0 – 8,375	10%
\$8,376 – 34,000	15%
\$34,001 – 82,400	25%
\$82,401 – 171,850	28%
\$171,851 – 373,650	33%
over \$373,650	35%

MARRIED FILING JOINTLY	RATE
\$0 – 16,750	10%
\$16,751 – 68,000	15%
\$68,001 – 137,300	25%
\$137,301 – 209,250	28%
\$209,251 – 373,650	33%
over \$373,650	35%

HEAD OF HOUSEHOLD	RATE
\$0 – 11,950	10%
\$11,951 – 45,550	15%
\$45,551 – 117,650	25%
\$117,651 – 190,550	28%
\$190,551 – 373,650	33%
over \$373,650	35%

MARRIED FILING SEPARATELY	RATE
\$0 – 8,375	10%
\$8,376 – 34,000	15%
\$34,001 – 68,650	25%
\$68,651 – 104,625	28%
\$104,626 – 186,825	33%
over \$186,825	35%

ESTATE & TRUSTS	RATE
\$0 – 2,299	15%
\$2,300 – 5,349	25%
\$5,350 – 8,199	28%
\$8,200 – 11,199	33%
over \$11,199	35%

CORPORATIONS	RATE
\$0 – 50,000	15%
\$50,001 – 75,000	25%
\$75,001 – 100,000	34%
\$100,001 – 335,000	39%
\$335,001 – 10,000,000	34%
\$10,000,001 – 15,000,000	35%
\$15,000,001 – 18,333,333	38%
over \$18,333,333	35%

New Law Eases Cell Phone Reporting

In 1989, when the old cell phone rules were developed, cell phones were expensive and considered a luxury item used primarily by executives. Congress decided to tax them the same way it taxes the personal uses of employer-provided automobiles. Under this classification, called “listed property,” employers are denied a tax deduction unless they document the cell phone business use and business purpose. Employees were required to include the value of their personal use in their income.

Starting in 2010, cell phones and similar telecommunication devices used for business are no longer subject to the “listed property” reporting requirements. This means employers may deduct the cost of providing cell phones to employees for business-related use without having to satisfy the strict substantiation requirements for listed property.



New Law Extends Phase-Out Repeal

The new *2010 Tax Relief Act* extends the repeal of the itemized deduction and personal exemption phase-outs for two additional years, through December 31, 2012. To help stimulate the economy Congress had repealed the high income phase-outs for 2010, but they were scheduled to return in full during 2011.

Itemized deductions are expenses individual taxpayer can report on their tax returns to reduce taxable income. A personal exemption is a stated amount allowed by the government to reduce taxable income. Individuals are allowed to claim a personal exemption for themselves and one for each dependent they support.

Under prior law both itemized deductions and personal exemptions were subject to phase-out rules. In other words, if your income exceeded certain thresholds both the itemized deduction and your personal exemptions were reduced. Starting in 2010 and extending through 2012 those income limits have been repealed.

Credit Card fees for Tax Payments

Don't overlook deducting the convenience fees you pay for making tax payments, including estimated tax payments, using your credit card. These fees can be included as a Miscellaneous Itemized Deduction on Schedule A. Of course, Miscellaneous Itemized Deductions must exceed 2 percent of your adjusted gross income before they count. Many taxpayers exceed this limit with other expenses in this category which includes tax preparation fees, investment fees, IRA maintenance fees, etc. Ask your tax preparer about other expenses which qualify in the Miscellaneous Itemized Deductions.

American Opportunity credit replaces the Hope credit

If you need help paying for college, you'll be glad to hear about the American Opportunity Credit. The new education credit, originally passed in the 2009 Recovery Act, modifies and expands the Hope credit for tax years 2009 and 2010. The *2010 Tax Relief Act* extends the credit for two more years, through December 31, 2012.

The credit provides undergraduates a dollar for dollar reduction of taxes, up to \$2,500 of the first \$4,000 of qualifying educational expenses. Qualified expenses have been expanded from the Hope credit rules. In addition to tuition, they included expenditures for required course materials such as books, supplies and equipment needed for a course whether or not the materials are purchased from the school.

Unlike the Hope credit, the American Opportunity Credit can be used for all four college years and is refundable up to \$1,000. You can receive a refund of up to forty percent of the credit, even though you owe no tax. The full credit is available for taxpayers with modified adjusted gross income of \$80,000 or less, \$160,000 or less for married couples filing jointly. The credit is phased out for taxpayers with incomes above these levels.



New Reporting for Rental Property Expenses

The Small Business Jobs Act passed in September 2010 requires individuals receiving income from rental property to file information returns. Starting January 1, 2011, payments of \$600 or more during the calendar year will require an information return be sent to the IRS and the vendor providing the service.



First-time Home buyer Credit Extended into 2010

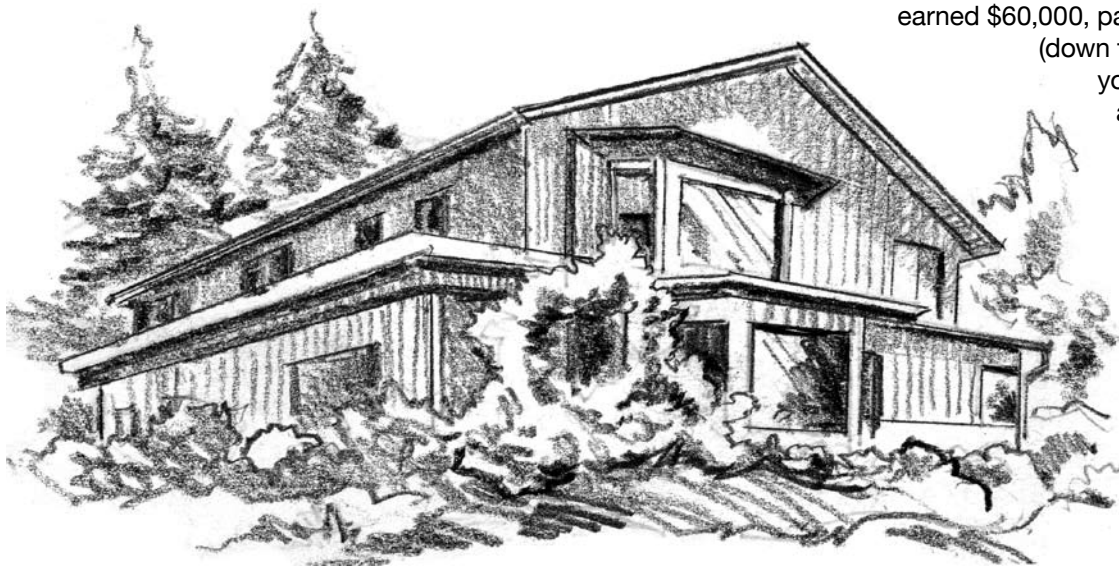
In November of 2009, Uncle Sam improved the first-time home buyers tax credit once more by expanding the definition of who qualifies as a first-time home buyer and extending the time to purchase your home through April 30, 2010.

For homes acquired after November 6, 2009 credit is no longer restricted to first-time purchases. Under the new rules, long-time residents may be eligible for a reduced credit. To qualify, you must have lived in your old residence for any five consecutive year period during the last eight years, ending on the date your new residence is purchased. The credit for long-term home buyers is 10 percent of the qualifying home's purchase price up to a maximum credit of \$6,500.

The time to purchase your home has also been extended to April 30, 2010. If a taxpayer enters into a binding contract to buy prior to May 1st and the property closes prior to July 1, 2010 the taxpayer will be eligible for the credit.

The new law raises the income threshold for which the credit is phased out. Under the old law, single taxpayers were phased out between \$75,000 and \$95,000 income. Under new law the phase-out begins at \$125,000. For married taxpayers the old law phased out the credit between \$150,000 and \$170,000. Under the new law the phase-out begins at \$225,000.

Also included in the new law is a purchase price limit of \$800,000. Under prior law there was no ceiling placed on the price of the home. Under the new law, once the price paid for the property exceeds \$800,000 no credit is available.



Alternative Minimum "Patch"

As part of the 2010 Tax Relief Act, Congress provided help for middle income taxpayers by increasing the exemption amounts for 2010 and 2011. Without the extension, an estimated 21 million taxpayers would become subject to the Alternative Minimum Tax (AMT).

The AMT exemption amounts for 2010 are \$47,450, up from \$46,700 for single taxpayers, and \$72,450, up from \$70,950, for married taxpayers filing jointly. Under old law the exemption levels were set to revert back to their 1986 level of \$33,750 for singles and \$45,000 for joint filers.

Payroll Tax Relief

The 2010 Tax Relief Act replaces the Making Work Pay credit with a Payroll Tax Relief starting for wages earned in calendar year 2011. The Making Work Pay credit, which was due to lapse at the end of 2010, is a credit against tax equal to 6.2 percent of wages up to a maximum credit of \$400 for single filers, \$800 for joint filers. The Making Work Pay credit was phased out for high income taxpayers starting at \$75,000 for single filers and \$150,000 for joint filers.

The new law replaces the credit with a reduction in the OASDI portion of Social Security tax from 6.2 to 4.2 percent on 2011 wages up to \$106,800. There is no phase-out for high income taxpayers. Self-employed taxpayers will pay 10.4 percent on SE income up to \$106,800. Unlike the Making Work Pay credit, taxpayers who don't pay into Social Security do not receive a benefit.

Under the new Payroll Tax Relief law starting in 2011, if you earned \$60,000, paying the reduced 4.2 percent (down from 6.2) Social Security rate you would owe only \$2,520. That's a saving of \$1,200 in the OASDI portion of Social Security.

Energy Saving Home Improvement Credits

In the 2009 Recovery Act, Congress increased the credit for energy-saving improvements from 10 to 30 percent and raised the maximum credit limit from \$500 to \$1,500 for 2009 and 2010. The 2010 Tax Relief Act extends the credit through 2011. After 2011 the law returns the credit back to its pre-2009 benefits. The credit applies to qualifying improvements such as:

- Insulation
- Skylights
- Central air conditioners
- Biomass fuel stoves
- Exterior windows
- Exterior doors
- Natural gas, oil or propane furnaces
- Certain metal roofs

To be sure improvements qualify for the credit you may rely on manufacturers' certifications.

Making Work Pay Credit

The Making Work Pay credit allows a dollar for dollar reduction of your taxes equal to 6.2 percent of your wages up to a maximum credit of \$400 for single filers, \$800 if you're married and file jointly. The credit will be available for 2009 and 2010. Through the end of 2010.

Uncle Sam put limitations on who will be eligible to take the credit. For high income taxpayers, those with modified adjusted gross incomes exceeding \$75,000 for single filers, \$150,000 for joint filers, the credit will be reduced by 2 percent of your income in excess of these limits. For example, if you were a single taxpayer with modified adjusted gross income of \$90,000, (\$15,000 over the \$75,000 limit) your Making Work Pay credit would be \$100. This is calculated by multiplying your \$15,000 excess income by 2 percent to get your phase-out of \$300 and then subtracting your phase-out from the \$400 maximum credit allowed. Other limitations disallow the credit for nonresident aliens and dependents claimed on another taxpayer's return.

Can't Pay the Taxes?

Paying your taxes in full and on time avoids unnecessary penalties and interest. However, if you cannot pay your taxes, you may request a payment agreement.

Individuals who owe \$25,000 or less in combined tax, penalties, and interest can use the on-line payment application process to request a payment agreement. This application will allow your tax preparer to qualify, apply for an installment agreement, and receive immediate notification of approval.



Business Travel

If you incur travel costs in your business it may be a good time to review the rules to ensure that requirements are being met and you're getting the maximum deduction available.

Uncle Sam defines travel expenses as the ordinary and necessary expenses of traveling away from home for your business, profession, or job. Let's look at the separate components of this definition.

First, the expense must be ordinary and necessary. An ordinary expense does not have to be required to be considered necessary but must have a business purpose. A fishing pole may be ordinary and necessary for a coastal fisherman while it may have no application to a car salesman in Idaho.

To be deductible, the taxpayer must meet the away from home rule. You are considered to be traveling away from home if you are out of the general area of your tax home longer than an ordinary day's work, and you need to sleep or rest to meet the demands of your work. For example, an airline pilot who flies a regular 16 hour, round-trip flight between two cities, and holds over for 10 hours at the turnaround point is considered to be away from home overnight. A truck driver who leaves early in the morning on a 400 mile, out-of-state run holds over at the turn-around point for an hour. During the holdover the driver rests while the truck is loaded. The driver does not meet the away-from-home rule even though he is 200 miles away because the holdover period is not adequate to get necessary sleep. It is not necessary that you are away from home for more than 24 hours.

Once you have determined that you meet the traveling away from home requirements you must determine which expenses are deductible. Uncle Sam says that only ordinary and necessary expenses you have are deductible. The type of expense that you can deduct depends on the facts and circumstances. The chart below summarizes these expenses:

If you have expenses:

Then you may deduct the cost of:

Taxi Bus and Airport Limousine	Fares for transportation to and from the airport, hotel and places of work.
Transportation	Travel by airplane, train, bus or car between your home and your business destination. If you were provided with a ticket or you are riding free as a result of a frequent traveler or similar program, your cost is zero.
Car	Operation & maintaining your car when traveling away from home on business. You can deduct actual expenses or the standard mileage rate, and business-related tolls & parking. If you rent a car while away from home on business, you can deduct only the business-use portion of the expenses.
Baggage and Shipping	Sending baggage and sample or display material between your regular and temporary work locations.
Lodging and Meals	Your lodging and meals if your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties. Meals include amounts spent for food, beverage, taxes and related tips.
Cleaning	Dry cleaning and laundry.
Telephone	Business calls while on your business trip. This includes business communication by fax machine or other communication devices.
Tips	Tips you pay for any expense in this chart.
Other Travel Expenses	Other business travel expenses include: transportation to or from a business meal, computer rental fees, and operating and maintaining a house trailer.

New Law Increases Form 1099 Reporting

While no one was paying attention, Congress quietly expanded the business information reporting requirements and slipped it into the Health Care Reform Act passed in March 2010. The new law will impact millions of businesses.

Under the old law, businesses were required to issue 1099s in limited circumstances, primarily to non corporate taxpayers for services received. Under the new law, effective for payments beginning in 2012, businesses that pay amounts greater than \$600 during the year to both corporate and non corporate taxpayers, for either services or product purchases, will be required to file a Form 1099, Information Report to each taxpayer and with the IRS.

Businesses will need to collect all the necessary reporting information including taxpayer identification number, name and address from each vendor paid over \$600 in aggregate during the calendar year. This will be a huge burden on small business.

Increased Start-Up Expense Deduction Available for 2010

When starting a new business the amount of first year qualified business start-up expenses that can be expensed are limited. Start-up costs that cannot be deducted in the first year may be amortized or written-off over 180 months, starting with the month the business begins.

Under prior law, you could generally only deduct up to \$5,000 in start-up costs in year one. The Small Business Jobs Act of 2010 has doubled the first year write-off to \$10,000. The first year deduction is also limited by the amount the total start-up costs exceed a phase-out threshold of \$60,000. For every dollar your start-up costs exceed \$60,000 you must reduce your first year write-off of \$10,000 until it reaches zero.

Sec. 179 Expensing Gets Expansion

Hoping to spur the economy, President Obama has increased the benefits of the Code Section 179 election. Most new equipment purchases may be depreciated over the life of the equipment or using the Sec. 179 election, expensed in the year of purchase.

In 2009, the maximum Sec. 179 expense deduction was limited to \$250,000. Under the new law the maximum deduction has been increased to \$500,000. There are limitations to the amount of equipment that may be purchased during the year and still qualify to take a Sec. 179 election.

In 2009, the deduction began to phase out dollar for dollar after reaching \$800,000 in total equipment purchases. Under the new law this limit is increased to \$2 million.

There is an additional benefit under the law. The definition of "qualifying property" has been expanded to include



qualified real property, which includes qualified leasehold improvement property, qualified restaurant property and qualified retail improvement property. The qualified real property category is limited to a maximum of \$250,000 rather than the \$800,000 for other property. The new law is effective for equipment purchases beginning January 1, 2010 and ending December 31, 2011.

Another Year of Bonus Depreciation

In September 2010, President Obama signed into law an extension of the 50 percent depreciation originally begun in 2008. Then in December, the *2010 Tax Relief Act* increased the 50 percent bonus to 100 percent. The new 100 percent bonus is retroactive for qualified property purchased after September 8, 2010 and through December 2011. Beginning in January of 2012, the new law makes 50 percent bonus depreciation available through December of 2012.



Eligible property generally includes business property classified as accelerated cost recovery property with a depreciation period of 20 years or less. This includes:

- Water utility property
- Off-the-shelf computer software
- Qualified leasehold property
- Passenger automobile used at least 50 percent for business

The extension also includes property with a recovery period of 10 years or longer, for transportation property, and for certain aircraft.

Check List of Itemized Deductions

Use the partial list of itemized deductions below as a checklist to help determine whether you may benefit from itemizing.

- Doctor & dentist fees
- Prescription medicines
- Insulin
- Acupuncture
- Air conditioner necessary for allergies or respiratory ailments
- Nursing fees
- Hospital fees
- Contacts, including supplies used with contacts (saline & enzyme cleaner)
- Chiropractic services
- Medical, dental, and long-term care insurance
- Hearing aids
- Dentures
- Guide dog for physically disabled persons
- Cosmetic surgery for deformity relating to a congenital abnormality, accident, or disease
- Special equipment installed in home to provide a medical benefit
- Birth control prescribed by a doctor
- State income taxes
- Real estate taxes
- Personal property taxes
- Home mortgage interest
- Points paid on purchase of residence
- Points paid on refinancing
- Investment interest
- Charitable contributions
- Casualty losses
- Theft losses
- Tax return preparation fees
- Safe deposit box used to store investments
- Work clothes not suitable for normal wear
- Expenses relating to tax planning
- Expenses relating to investments
- Professional dues & Union dues
- Certain unreimbursed employee expenses
- Subscriptions to professional magazines
- Continuing professional education
- Occupational licensing fees
- Travel expenses relating to managing investments
- IRA administration fees
- Job-hunting cost
- Medical exams required by employer
- Gambling losses to extent of gambling winnings
- Estate taxes
- Fees to collect interest or dividends
- Legal fees for collecting taxable income or keeping a job
- Trust administration fees
- Impairment-related work expenses

Tax Planning Ideas for 2011 and Beyond

Call our office today for an appointment

A very basic way to save on taxes is to shift income and deductions between two adjacent years. Usually you'll want to push income into years you will qualify for a lower tax bracket. If you will be in the same tax bracket for both years you should shift income into the future. Pushing income into the future may not reduce your taxes but it will delay payment and give you the time-value of money advantage. Deductions on the other hand should be shifted to higher bracket years. If you will be in the same bracket for both years accelerate your deductions to the current year. The following tax planning ideas may help in reducing or postponing your taxes:

Donate Appreciated Stock

Donate highly appreciated stock to your favorite charity instead of selling the stock and donating the cash. By doing so you will get a deduction for the fair market value of the donated stock but won't have to pay tax on the capital gains from the sale.

Postpone December Billing

If you're a self-employed cash basis taxpayer you may postpone taxes by waiting until January to send your customers bills.

Bunch Itemized Deductions

Bunch itemized deductions between years. If your income will be about the same in the next two years try alternating between the standard deduction and itemizing. This can be accomplished by bunching or pushing payments for deductible expenses into every other year. For example, make your December charitable donation in January or schedule elective medical procedures into the year you intend to itemize.

Use Tax-Free Investments

Make sure you are taking advantage of tax-free investments when there is an advantage. Whether tax-free investments will provide a better return than after-tax investments depends on your tax rate and what the investment return is. Often tax-free investments yield a better net return than do taxable investments.

Consider Filing Separately

When one spouse has significant itemized deductions and less income than the other, filing separately may reduce your overall tax liability.

Home equity Line of Credit

Use a home equity line of credit to convert nondeductible credit card interest into a deductible mortgage interest deduction.

Employer Pension Plan

One of the better tax shelters still available is your retirement plan. Qualified contributions to your 401K, Profit sharing, KEOGH, Simple, IRA or other types of plans are still fully deductible from income and grow each year tax-free. Taxes are deferred until such time as you withdraw the funds.

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