

## **Time is running out to do your tax planning!**

### **How tax planning prior to year end can save you big dollars on your taxes**

**By Theodore D. Lanzaro, CPA**

One of the biggest mistakes made by business owners and real estate investors is waiting until it is too late to assess the tax impact of your business income and real estate transactions. There are several reasons for this:

1. The tax laws are complicated and change constantly.
2. Taxpayers often fear an IRS audit if they aggressively pursue tax savings.
3. Taxpayers often do not think about their taxes until the filing deadline is imminent.

However, taxpayers only need remember that the Internal Revenue Service only requires you to pay the amount of tax you owe under the current regulations and **NOT A PENNY MORE!** There are numerous tax court cases where judges have noted that it is the taxpayer's right and obligation to reduce their taxes to the minimum amount due as long as they are in compliance with the tax code.

There are several factors to consider when developing a tax strategy for each business owner or real estate investor's unique situation. Tax strategies that provide the most benefit should take into account the following:

1. How does the timing of a transaction impact the situation?
2. What options are available to minimize your taxable income?
3. Can you defer taxable income or tax payments without incurring a penalty?
4. What is your marginal tax rate and how does a given transaction affect that rate?
5. Do we have the ability to match high income with high expense?
6. What is the effect of long term versus short term holding periods?

While each taxpayers situation is unique, tax planning basically consists of the following steps:

1. Analyzing and obtaining an understanding of the taxpayer's situation and goals.
2. Development of a strategic tax plan to minimize the current and future tax liabilities.
3. Preparation of a tax projection which incorporates the strategic tax plan.
4. Implementation of the strategic tax plan.
5. Ensuring that the taxpayer has made sufficient tax payments to avoid a tax penalty.

There are numerous tax planning strategies available which can be used depending on your unique situation. The following is a brief description of some of the most common:

1. Deductibility of qualified business expenses paid at year-end in advance for the following year. A business check is considered payment in the year in which you mail or deliver it as long as no restrictions on it apply. In addition, a bank credit card can be used to pay such expenses even if the card balance is not paid off until the following year.
2. Purchases of needed business fixed assets such as furniture, machinery and equipment and business-use vehicles can lead to either a complete write-off of the cost of such equipment in the current year using Section 179 of the IRS code assuming the business has sufficient income or at a minimum, bonus depreciation on fixed asset purchases no matter what the business income is. The 2007 Section 179 deduction is \$108,000 for qualified asset purchases.
3. Funding of tax deferred IRAs, SEPs and 401(k) programs to defer the amount of taxable income and help fund your retirement.
4. Use of Section 1031 to defer gains on real estate held for investment purposes.

**And there are many more depending on your unique tax situation and goals!**

In order to take advantage of the benefits and savings that await you, you must have a plan that takes into account your unique situation. **DON'T PROCRASTINATE. CONTACT A TAX ADVISOR TODAY!!**

*Ted Lanzaro, CPA "The Millionaire Tax Advisor" owns and operates Lanzaro CPA, LLC, a tax strategy, accounting and business advisory firm with offices in Shelton, CT. The firm concentrates on providing advisory services, education and products design to promote business development, tax savings and wealth creation. He can be reached by phone at 203-924-5760 or via email at [Ted@lanzarocpa.com](mailto:Ted@lanzarocpa.com). You can subscribe to "The Millionaire Tax Advisor" Newsletter at [www.millionairetaxadvisor.com](http://www.millionairetaxadvisor.com). You can also get a copy of Ted's special report "10 Proven, Totally Legal and Effective Tax Strategies That Will Put Thousands In Your Pocket Every Year" at his website [www.lanzarocpa.com](http://www.lanzarocpa.com)*

**You should consult a tax professional prior to implementing any of the tax planning strategies to make sure it fits your specific situation.**