

ASA Tax Guide – 7 Ways to Reduce Your 2016 Taxes

With all the new tax law changes taking effect in 2016, taxpayers now more than ever need to consult with a tax professional to manage their income and expenses to reduce taxes. The following information is general in nature, and you should consult with your CPA to insure the correct interpretation of the tax laws for your specific tax situation.

- 1. Maximize your retirement contributions.** This is one of the best ways to save taxes. Where else can you get up to a 39.6% immediate return (tax savings) on your investment and have it grow tax free? You should always contribute at least as much as your employer matches in your work retirement plan. Traditional IRAs are available even if you work for someone else. Simple 401-K and SEP plans are available for small companies (especially effective for one or two owner firms). You have until April 15 (For IRAs) and until October 15 (For SEPS and Simple 401-Ks) in the year following the year you want the contributions applied to make the contributions. Make sure your bank or other financial institution knows for which year you want to apply the retirement contribution. Consult your tax advisor for specific amounts and due dates, and call FIA Services, Inc. (850-677-8202) if you need assistance with new investment, retirement, or rollover accounts (www.FIAContact.com).
- 2. Bunch up tax deductible items at year end if your income will be in a higher tax bracket in the current tax year and a lower tax bracket in the next tax year.** Minimize deductions if your income will be in a lower tax bracket in the current tax year and a higher tax bracket in the next tax year. Itemized deductions such as charitable contributions, real estate taxes, employee business expenses, etc. can be timed to result in tax savings.
- 3. Consider holding your stocks and other capital investments for more than a year to take advantage of the capital gains rates.** In 2016, the maximum capital gains rate (for capital assets held longer than one year) is 20%, and most taxpayers will pay between 0% and 15%. The same rates apply to qualified dividends from domestic corporations. So you may get an additional tax advantage by holding on to dividend paying stocks.
- 4. Make sure you consider all tax deductions and credits when you complete your tax return.** Your tax advisor should provide you with a detailed tax questionnaire (you can download one for free from our web site at www.ASAToday.com). By going through all of the questions, you may pick up several deductions that you were not aware of.

5. **Try not to take any early distributions or loans from your retirement accounts.** Although it is true that you may be able to pay the interest back to yourself, it is difficult to pay the funds back once you withdrawal them, and the loan may slow down your future contributions because you have to pay it back within a certain time frame. Also, any loans that are not paid back, or any unqualified distributions (before age 59 ½ unless for an exempt purpose) will be taxed at your highest tax rate plus a 10% penalty. For example, if you're marginal tax rate is 28%, you would owe 38% (your 28% bracket plus the 10% penalty) of the amount withdrawn or not repaid.

6. **Keep detailed records of vehicle mileage relating to rental properties, employee business expenses, moving expenses, charitable volunteer work, and other business use.** The IRS requires you to maintain a log showing the date, miles driven to and from a destination, and the purpose of the trip for each day you travel. You may use a block calendar to do this. You should also keep records to prove your odometer readings (i.e.: your vehicle's oil change records) to prove that you drove the miles in the tax year. We have a specific form to use for vehicle mileage. Contact us to request the free form.

7. **Home office expenses can be a good tax deduction if planned properly.** The IRS requires you to maintain an area of your home strictly for business use to take the deduction. If you have a spare bedroom that is not needed for guests, you may be able to convert the room to 100% office use and take a reasonable deduction for pro-rated home utilities, repairs, insurance, taxes, etc. We have a specific form to use for home office expenses. You can call us or send us an e-mail to request the free form.

These seven ways to save taxes are only a few of the many ways to save on your annual taxes. Others include the choice of small business entity, whether or not to elect S Corporation status, how to structure annual gifts, planning educational expense deductions and credits, estate tax planning, filing single versus married, and the list goes on.



Bert Roberge, CPA, PFS gives some advice on how to reduce your tax bill. Bert is a Florida Certified Public Accounting, Personal Financial Specialist, and Financial Adviser with over 30 years experience with Accounting, Tax, and Financial Planning. With the new tax law changes on the horizon, it is more important than ever to minimize your taxes for 2016. Give ASA a call for more information or to schedule an appointment. We look forward to hearing from you. Phone **850-934-2832** or visit: www.ASAToday.com