

Year End Tips That's By The Book!

By Bernadette M. Johnson

As the holidays are quickly upon us, I'm sure the last thing you are thinking about are your taxes. But taking a moment to assess your tax situation **NOW** could pay off big in 2006.

Here are some year end tax tips that could drastically change your tax situation.

Get Current. One of the most important tax tips I can give is to make sure your accounting is up-to-date. It is important that you have a complete understanding of your financial situation. Scheduling a year-end planning session with your accountant is a good idea and a good start.

Procrastinate. I know this may sound crazy, but hear me out. If your cash flow can sustain it, then wait until January to bill those end of the year clients. Any cash you receive in December must be included on your 2006 tax return as income, but if you wait just a few more days you can defer payment of taxes on that income for another year.

Shop 'til you drop. Purchase items that your business will need in the near future. Again this is if your cash flow permits. Some things you should consider are office supplies, equipment purchases or pay some bills early (i.e. business cell phone bill, utilities, rent, etc).

More blessed to give. We've all heard the saying, "it's more blessed to give than to receive". And it's true in more ways than one. Push an early 2006 charitable donation back to 2005, which allows you to take the deduction in 2006 instead of waiting until 2007. Be sure you get a receipt to support the tax deduction.

Sock it Away. This is a great time to make payments to your retirement plan or setup one to reduce your business income before the year ends. Meet with your financial planner to verify the contribution limits and deadlines.

That covers the business owners, now I hear the individual taxpayers saying, "What about us?" Here are some deductions for individuals that are often times overlooked.

1. Job-related moving expenses
2. Job-skill improvement classes (including travel)
3. Professional and investment publications
4. Union or professional dues
5. Job-hunting expenses (including travel)
6. Child care expenses
7. Costs associated with operating a business from a home-office
8. New or used clothes, toys, and household goods given to charity
9. Fees for tax or investment advice and tax return preparation

10. IRA fees
11. Client gifts

Note: These year-end tips will apply differently to each individual's situation and accounting method. Seek professional advice to determine the best strategy for you.