

STILL TIME FOR TAX PLANNING

The holiday season may be half over, but the tax year is not. There are a few days left to do what should have been done weeks ago; year end tax planning. Too many taxpayers focus on April 15, the date of the tax filing for this calendar year. With few exceptions, like funding IRA accounts for instance, April 15 is too late to affect any meaningful tax reduction strategies.

Let's look at the important tax dates to remember, depending upon your filing status; December 31, January 15, January 31, March 15, and April 15.

December 31: This is the most significant cutoff date for major tax reduction planning. For individual investors, the "tax loss harvesting" game is over at year end. Capital losses either short-term (securities held less than one year) or long-term (greater than one year) can be applied against short or long term capital gains to avoid the 10% or 15% capital gains tax on profits taken during the calendar year. There is no limit on how much can be matched against gains and any unused capital losses can be applied against \$3,000 of earned or investment income.

Unfortunately, many investors are afraid to sell at a loss in spite of the absolute tax refund created when "realized losses" are taken. The proceeds from the sold asset can be used immediately to buy another security or after 31 days the same asset can be repurchased. This is free money from the Internal Revenue Service which unfortunately many investors pass on every year. The other big tax saving opportunity for small business owners and self employed individuals are formal pension plans that must be established by year end. The participants can subsequently make contributions up to the filing date of their tax returns whether it is a personal or corporate filing. This is another huge opportunity to defer tax dollars and fund the retirement objective that most people neglect.

January 15: For those self employed and retired workers, January 15 is the fourth and final filing date for the payment of estimated taxes. Estimated tax payments prevent IRS penalties from being applied for excessive tax due at the April 15 deadline. This is a complex issue that should be discussed with a tax professional who can provide an annual schedule of estimated federal and state tax payments based upon last year's income or this coming year's projected income.

January 31: This is the tax statement deadline for all employers and investment custodians to send out their respective W2 or 1099 statements. It

is important that these forms are correct since a copy is sent to the IRS concerning taxable income charged to you for the previous calendar year.

March 15: This is an important date for corporate filings. For small business corporations, the pension contributions must also be completed by this date to count for the previous calendar year.

April 15: The mother of all tax filing dates. Unless an extension date is applied for, April 15 is the personal tax filing date. Tax reduction strategies are limited to IRA and SEP-IRA accounts that can be opened and funded by the tax filing date (April 15) or the extension date approved by the IRS. Check with your advisor or accountant on the funding requirements since the amounts depend upon your age, income, and your participation in another qualified pension plan at work. These dates are important to keep you within the law and to allow you to pay the least amount allowed. But they are also opportunities to be proactive toward achieving your financial goals. It is a matter of perspective.

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