



JIM MATTHEWS CPA, INC.

IRS Representation | Negotiation

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The end of 2011 approaches, but it's not too late to save money on your taxes for this year! Here are some great tips you'll want to consider acting on before January 1st:

Giving now saves you later

- Donations of goods and/or money can save you hundreds in tax deductions. But, make sure to get a receipt for your records.
- Really big donations are better done with appreciated stocks or mutual fund shares that you've owned for more than a year. Giving in this way boosts the savings on your tax return. Your charitable contribution deduction is the fair market value of the securities on the date of the gift, not the amount you paid for the asset and you never have to pay tax on the profit.
- Give to yourself. Max out your 401K retirement fund. This year workers under 50 can contribute up to \$16,500 to employer based plans (not a Roth IRA). Over 50 can contribute up to \$22,000. This will help reduce the taxes you owe by lowering your income and possibly your tax bracket. Another note is that with some of the proposed tax reforms for next year, the 401K contribution will be more limited. So, take advantage of the maximum now before it changes.
- The estate gift tax exclusions that allow you to give up to \$13,000 per recipient probably won't last past this year. So, give generously before the IRS starts to take a cut.
- If you are not sure whether or not you will owe this year, pay in more this month. This will make April a less financially painful month.

Let go of Losers

- Investments held for more than one year and sold at a profit qualify for the 15% long term capital gains rate, as do qualified dividends. To help offset this taxable gain, sell off the losing investments. Since only \$3000 in capital losses is allowed per year, you can carry over excess losses.
- Be weary if you intend to buy mutual funds before the end of the year. The appeal to get a year's worth of payouts by purchasing at the last minute is lessened by the taxes you will pay. Even if you reinvest the profit automatically, the IRS sees it as profit and taxes you accordingly.

Make Home Improvements

- The home-energy tax credit expires at the end of this year. Taking advantage of this credit is worth 10% of the cost of new windows, doors, skylights, insulation, and heating and air conditioning systems with a maximum of \$500 (\$200 maximum for windows).
- Renewable-energy equipment such as geothermal heat pumps, solar panels and small wind turbines get a bigger deduction of 30% with no maximums. The cost of installation can be included.

If you have any questions, or need help planning your tax strategies, please contact us at 972-613-3034. You can also visit our new website for some informational videos at www.JimMatthewsCPA.com.

Sincerely,

Kasha Halvorsen
Tax Specialist