



5165 South 900 East
Salt Lake City, Utah 84117
Telephone: 801.281.3100

STRATEGIC TAX AND ACCOUNTING SOLUTIONS FOR BUSINESSES AND INDIVIDUALS

Top 10 2013 Year-End Tax Tips

Medical Expenses

Estimate out of pocket medical expenses for 2013. If the total is close to 10% of your adjusted gross income (AGI), consider maximizing the potential tax deduction by refilling all prescriptions, accelerate discretionary medical expenses, such as prescription glasses and sunglasses, elective medical or dental procedures not covered by insurance. If you or your spouse has reached age 65 before the end of the year, the floor is 7.5% of AGI. The deductible medical expenses are the amounts in excess of 10% or 7.5%.

Teachers

Collect all receipts for classroom supplies and teaching aids, because 2013 is the *last year* teachers can deduct these from their gross income. Up to \$250 of qualified expenses paid during the year can be deducted.

Mortgage Debt Forgiveness

If your residence was sold in a short sale or foreclosed and the mortgage company forgave some of your mortgage liability, you won't pay taxes on the amount of mortgage debt forgiven. 2013 is the final year that the discharge of qualified principal residence debt (i.e., mortgage debt) can be generally excluded from gross income.

Energy Crisis

If contemplating energy improvements to your home, you may want to accelerate the improvement and complete it by December 31, 2013. Qualifying improvements include insulation, exterior windows and doors, heat pumps, furnaces, central air conditioners, water heaters, etc. The property must be installed in or on a dwelling in the U.S. that is owned and used by the taxpayer as the taxpayer's principal residence. The tax credit is 10% of the purchase price with a \$500 lifetime maximum credit.

Tax Planning

December is an excellent time to meet with your tax accountant and prepare a pro forma tax return to get a good idea of what your April tax responsibility might look like. Depending on the numbers, you can maximize your 401K deductions, make additional charitable contributions, or prepay your federal or state tax liability to avoid underpayment penalties. If you have taken stock gains, now may be the best time to take stock losses to offset gains.

Charitable Contributions

Retirees over age 70.5 can donate up to \$100,000 directly from their IRA to a charity. The distribution is not included in income and counts towards their required minimum distribution for the year. This law expires after December 31, 2013.

Roth IRA Contributions

The annual limit is \$5,500 or \$6,500 if you are 50 years or older. If your income is too high for a traditional Roth IRA contribution, consider making a nondeductible IRA contribution, then converting it to a Roth. The conversion should be tax-free.

Net Investment Income Tax

Effective this year, if your modified adjusted gross income exceeds \$200,000 if you are unmarried, or \$250,000 if you are married filing joint, your passive income is subject to a new tax – called the 3.8% net investment income tax. Passive income includes capital gains, dividends, interest, royalties, annuity income, rental income, savings accounts and stock and commodity gains.

Business Asset Purchases

Up to \$500,000 of assets purchased in 2013 can be expensed for deduction. The maximum amount for 2014 is \$25,000.

Tuition Deduction

Deductions for up to \$4,000 in tuition are available for individuals, a spouse or a dependent paid during the year. This benefit will expire after 2013. Tuition paid in 2013 for an academic period that begins within the first three months of 2014 qualifies for a 2013 deduction.