7 Ways To Save Even More Income Taxes

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1. Did you know you can use your previously funded IRA to fund the current year's deductible contributions?

Well, you can. If you don't have enough cash to make a deductible contribution to your IRA by April 17th, here is how you can still take the tax deduction for tax year 2012. To get started, all you need is an existing IRA. This option must be handled very carefully.

Begin by having $6,000 distributed to you from your IRA. Most banks are required to hold 20% for income tax withholding, so you'll actually receive $5,000. Once you have the $5,000, immediately deposit it back into your IRA. If you do this before April 17th, this counts as your deductible contribution for the year. The best part of this is that you have 60 days to "make up" the $6,000 withdrawal. To do this, simply deposit a $6,000 "rollback" into the same IRA account by June 14th to avoid taxes on the original $5,000 distribution made to you.

This is a type of short-term loan from your IRA to make this year's deductible contribution before the April 17th due date; however, you can only do this once in a 12-month period. If you don't replace the money within 60 days, you may owe income tax and a 10% withdrawal penalty if you're under the age of 59 1/2.

Note: Not all banks realize it is required to withhold the 20% from the original $6,000 withdrawn from your IRA. Call to find out which way we can help you work with this "extra" amount. There are many options, so get informed before you miss out on the full benefits of your retirement plan.

Another approach is to being planning for 2013 by making monthly contribution in order to manage a contribution with limited cash flow.

2. Determine the "Best" Retirement Plan Option.

As a self-employed small business owner, there are several retirement plan options available to you, but understanding which option is most advantageous to you can be confusing. The "Best" option for you may depend on whether you have employees and how much you want to save each year.

There are four basic types of plans:

- Traditional and Roth IRAS
- Simplified Employee Pension (SEP) Plan and Savings Incentive Match Plan for Employees (SIMPLE)
- Self-employed 401(k)
- Qualified and Defined Benefit Plans

We want to make sure you are getting the most out of your financial future, so contact us to determine your eligibility and to optimize the plan for you.

3. Have your landlord pay for leasehold improvements at your place of business.

Instead of paying for leasehold improvements at your place of business, you can ask your landlord to pay for them. In return, you offer to pay your landlord more in rent over the term of the lease. By financing your leasehold improvements this way, both you and your landlord can save money on taxes.

Ordinarily, you must deduct the cost of leasehold improvements made to your place of business over a 39-year period (similar to that of depreciating real estate), with one exception. Qualified leasehold improvements completed before 2008 are eligible for a special 15-year recovery period. If the year your lease term ends you move to another location, you can deduct the portion of the improvement cost you have not previously deducted. This normal scenario won't save you tax in the earlier years of the lease. Your landlord will have to put up the initial cash for the improvements, but you will cover that over time with increased payments in your rent. Since your landlord will be paying for the improvements, you will save tax early in the lease and your landlord will benefit as well!

During the same time, your landlord will gain depreciation deductions for the cost of the leasehold improvements. When you leave, your landlord will still have the improved property to offer other future tenants. It is a great opportunity for a win-win situation giving you faster access to invested monies.

4. Save by deducting home entertainment expenses.

If you entertain at home for the purpose of business and if a business discussion takes place during the entertainment, then the cost of entertaining at your home is a deductible expense. In general, you can deduct only 50% of your business-related entertainment expenses, but there are some exceptions. If you have any questions, please do not hesitate to call us.

5. Deduct $25 for business gifts to associates without a receipt.

When you prepare your income tax return, don't overlook the deductible benefit of business gifts during the holidays or at any other time of the year. Whether you are a rank-and-file employee, a self-employed individual, or even a shareholder-employee in your own corporation, you can deduct the cost of gifts made to clients and other business associates as a business expense. The law limits your maximum deduction to $25 in value for each recipient for which the gift was purchased with cash.

6. Deduct your home computer.

If you purchased a computer and use it for work-related purposes, you may be able to deduct the cost as long as you meet certain requirements: your computer must be used for convenience and as a condition of your employment, for instance if you telecommute two days a week and work in the office the other three days.

If you are self-employed, another deduction you can take advantage of even if you do not claim the home office deduction, is the Section 179 expense election, which allows you to write off new equipment in the year it was purchased as long as it is used for business more than 50 percent of the time.

Please call us if you are not sure whether you qualify for this deduction.

7. Have your company buy you dinner.

If you are in a partnership or a shareholder-employee in a regular C or S corporation, and you have to work overtime, your company can, on occasion, provide you with meal money for dinner. The cost of this fringe benefit is 100% deductible for your company under Section 132 of the Internal Revenue Code and you don't have to pay personal income tax on the value of the meal.

Your company can pay directly for the meal or can instead, provide you with dinner money. But, in order for this to work, the amount of money you receive for your meal must be reasonable. If the IRS decides that the amount of money you received from your employer was unreasonable, the entire amount will be considered taxable personal income and will not be deductible.

We will be glad to answer your questions concerning deductible meals related to overtime and any other questions you might have about the Section 132 "de minimis" fringe benefit.