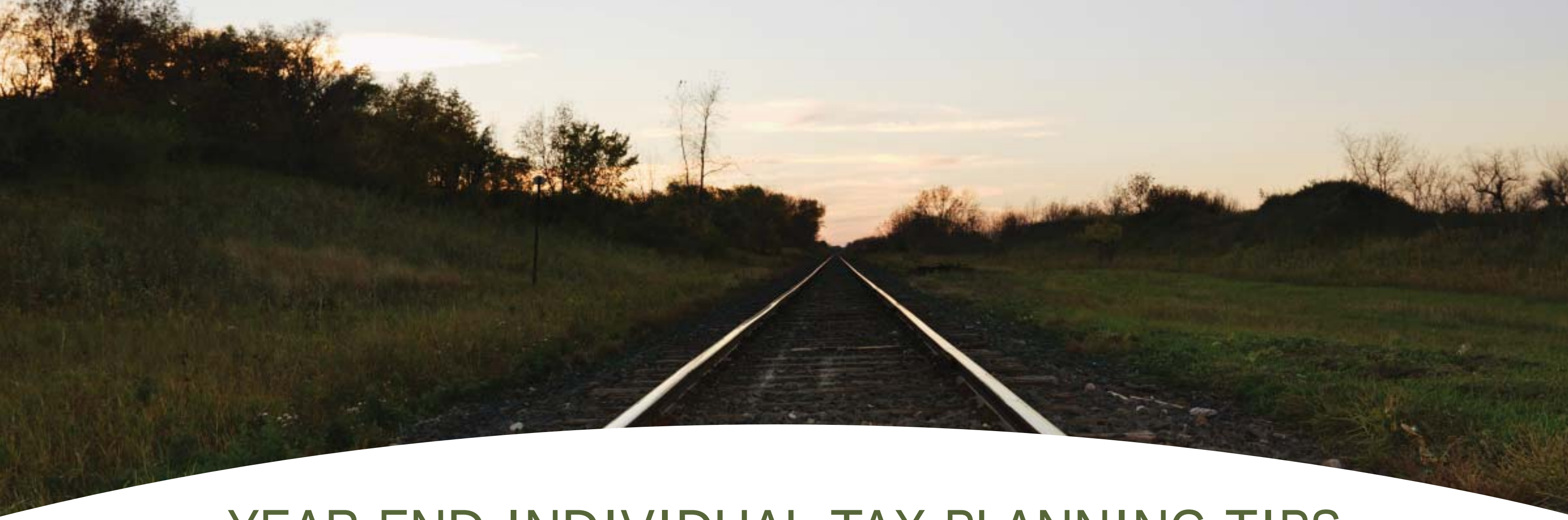


YEAR-END INDIVIDUAL TAX PLANNING TIPS

As 2013 draws to a close, individuals should talk to their tax advisors to see whether they are on track with their tax projections or need to make any adjustments. They should also be aware of a number of recent and upcoming tax law changes that might provide them with tax-saving opportunities.

Individual Tax Planning

Estimated Tax Payments. Those who are making estimated payments and who find that their income is higher or lower than previously projected should do a fourth quarter tax review to see if any adjustments need to be made. Taxpayers who have underestimated their liabilities should consider increasing their withholding from their wages or IRA/retirement account distributions to avoid penalties for any insufficient estimated payments. Generally, taxpayers will not be subject to penalties if the difference between total payments during the year and the tax owed is less than $1,000.

RMD Withdrawals. Individuals 70½ or older should make sure they take any required minimum distributions (RMDs) from retirement accounts by year-end (or if it is the first RMD, by April 1 of the next year). Otherwise, the penalty will be 50% of any amounts that should have been withdrawn but weren't.

Flexible Spending Accounts (FSAs). Money in FSAs is usually forfeited unless used by year-end, although cafeteria plans are permitted to provide limited grace periods following the end of each plan year. A recent rule change will give employers the option of allowing a $500 carryover or a grace period. Your employer will notify you of any changes to your plan.

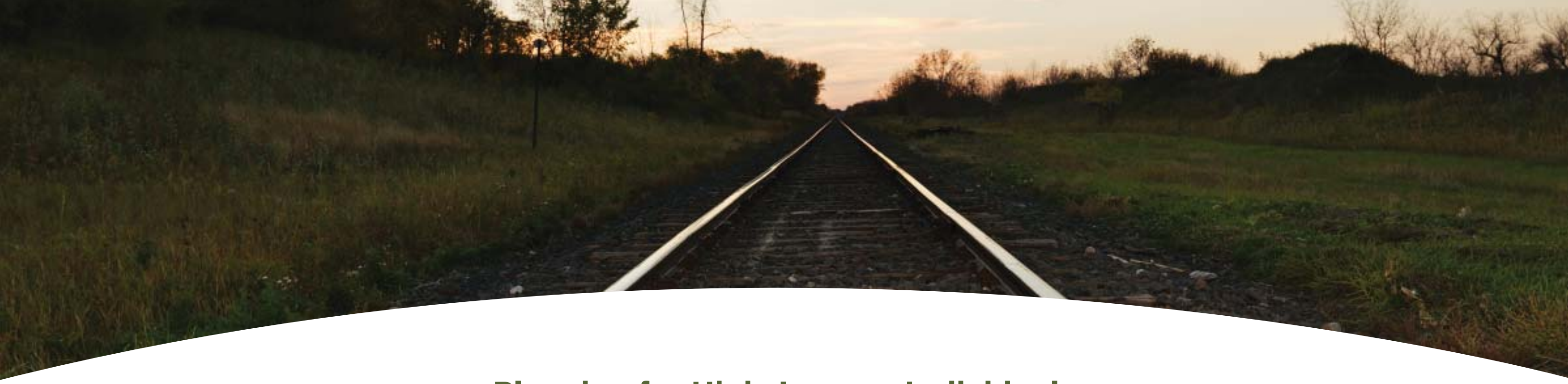
Health Savings Accounts (HSAs). HSAs can be excellent tools for deferring income. For 2013, deductible contributions to self-only plans can be up to $3,250, and those to family plans can be up to $6,450. An additional "catch-up" contribution of $1,000 is available for those 55 and older and not enrolled in Medicare. Calendar-year taxpayers should be aware that they have until April 15, 2014, to make contributions for 2013.

Investment Losses. Taxpayers with taxable investment accounts should consider selling stocks with losses to offset anticipated capital gains. If the stock is believed to have long-term growth potential, the stock may be repurchased, but the tax-loss seller may not repurchase during a period starting 30 days before the sale and ending 30 days after the sale.

Nonbusiness Energy Property Credit. The 10% credit for qualified energy efficiency improvements expires at the end of 2013. Qualified improvements include certain specified components of the building envelope. Also eligible are expenses incurred during the tax year for qualifying circulating fans, furnaces, heat pumps, water boilers and heaters, and central air conditioners.

Sales Tax Deduction. After 2013, taxpayers who itemize will no longer be able to elect to deduct their state sales tax in lieu of state income tax. Therefore, those planning on purchasing large items may want to do so before year-end.

Higher Education Expenses. The above-the-line deduction for up to $4,000 of higher education costs will expire at the end of the year. However, both the American Opportunity Credit and the Lifetime Learning Credit remain in place for 2014.



Planning for High-Income Individuals

Higher Income Tax Rates. For 2013, a new 39.6% rate applies once the following levels of taxable income are exceeded: $450,000 (married filing jointly), $400,000 (single), $425,000 (head of household), and $225,000 (married filing separately).

Also, a new 0.9% Medicare tax applies when wages and/or self-employment income exceed $250,000 for joint filers and $200,000 for individuals. Taxpayers will want to review their withholding levels to avoid penalties for underpayment.

Higher Capital Gains Tax Rate. For those in the 39.6% bracket, the tax rate on net capital gains will increase to a maximum 20%.

Phaseout of Personal Exemptions and Deductions. For 2013, both the personal exemptions and certain itemized deductions will begin to phase out at higher levels of income. For those filing jointly, the phaseout starts at $300,000 of adjusted gross income (AGI) and, for single taxpayers, it starts at $250,000.

3.8% Medicare Surtax. This tax — also new in 2013 — applies to the lesser of (a) “net investment income” or (b) the excess of modified adjusted gross income (MAGI) over certain income levels. The MAGI threshold is $250,000 for joint filers and $200,000 for individuals. Taxpayers will want to consider strategies to reduce both prongs of the test. One possible short-term strategy is to increase contributions to IRAs and qualified retirement plans.

Charitable RMDs. Those 70½ and older who wish to make charitable contributions in 2013 may want to take advantage of the rule — set to expire at the end of 2013 — that allows them to transfer their RMD (or a portion thereof) directly to a charity or donor-advised fund. In addition to being income-tax free, qualifying charitable transfers count toward a donor’s RMD obligation for the year and may generate other tax benefits.

We Can Help

We can help with your personal (and business) tax planning. Contact us to set up an appointment to discuss your specific tax situation.

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