

# TAXAWAY

2001 Beacon Street Suite 209  
Brighton MA 02135  
617-794-4084

## Year End Tax Tips

1. With a few months or so to go, re-evaluate your employee retirement plan to see if you can increase your traditional 401(k) plan contributions to the maximum. Though you'll see less in your paycheck, the money will be tax-deferred. This may even trigger other tax savings, such as lowering your adjusted gross income for itemizing reasons (see #3) or allowing some income-sensitive deductions and credits such as student loan interest, educational credits, and saver's credit. If you are eligible to deduct a traditional IRA contribution (not everyone is eligible for the deduction), this can be done up to April filing deadline and may create some of the same tax savings effect as well.
2. Take advantage of any flex spending accounts, especially medical FSAs. If you still have money in your medical account, take care of any medical/dental needs and pay for them before the year ends, although many plans allow an extra 2 1/2 months to use the funds before you lose them.
3. Also for medical/dental expenses, while it's tough to itemize because the amount has to first exceed 7.5% of your adjusted gross income, (10% starting 2013), if you think you'll come close, group the timing of paying for the expenses every other year. For example, if this year you already had incurred high expenses, pay for that dental cleaning done this year too. If next year is the year you'll have a lot, then postpone the visit or the payment until January.
4. Take a look at your investment portfolio (outside any retirement accounts) and review your year-end realized gains and losses. Have a stock investment that is currently a loss? You could sell it and use the loss to net against other gains and/or use up to \$3,000 against your other income. But if it's a stock that you still believe in, wait 30 days then buy it back. Buying it back within 30 days is a 'wash sale' meaning you cannot take the loss until you sell the new shares. Already using a large capital loss carryover? Well, maybe you're lucky in love instead!
5. There are several deductions and credits that are income-sensitive: phasing-out as your income increases. If you know your income will be greater next year, perhaps take that educational course that qualifies for the lifetime learning credit or tuition deduction, for example. See the tax adjustments linked from the website entry page for deduction details.

In addition to a list of tax tips, information on important changes to tax laws for the current year are posted on the website entry page [www.taxaway.com](http://www.taxaway.com) every year, usually in late summer as focus switches over to the coming tax filing season.