

Ten Tips to Cut Your 2014 Taxes

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Most people are familiar with the old adage about life's 2 certainties: taxes, like death, are inevitable. But why pay more in taxes than you have to? This article provides 10 potential tax-saving opportunities for 2014. The key is to take the time to evaluate which of these concepts, if any, may work in your situation. There is still time to take advantage of these 10 tax-saving opportunities before December 31, 2014.

1 If you have not been contributing to your 401(k) and 403(b) plans at the maximum rate all year, increase your contributions. This year, you can put up to \$17,500 into your 401(k) or 403(b) plan. Anyone aged ≥50 years by December 31, 2014, can put away an additional \$5500 (for a total of \$23,000). Contributing to a 401(k) or 403(b) plan at work is one of the best tax shelters available to you during your working years.

2 If you are self-employed, consider setting up a Solo 401(k) by December 31, 2014. A Solo 401(k) plan allows a self-employed person to reach the \$52,000 retirement plan maximum with less income than a SEP-IRA. It also allows people aged ≥50 years to put away an additional \$5500 (for a total of \$57,500) into a retirement plan for 2014.

3 To avoid an underpayment penalty, review your withholdings and instruct your employ-

er to withhold additional taxes if you have not had enough taxes withheld during the year. The IRS Withholding Calculator for 2015 is available at www.irs.gov/Individuals/IRS-Withholding-Calculator.

4 Consider selling your investments held in nonretirement accounts that have depreciated. Since your capital losses can offset other capital gains realized during the year (including those from your mutual funds), excess losses can then be used to offset up to \$3000 of wages and other income. However, wait at least 31 days before buying back security sold at a loss, or the IRS will not allow the loss under "wash sale" rules.

5 If you are in the lowest tax bracket, consider selling your investments that have increased in value. Since the capital gains rate will be 0%, those securities can be bought back, and the "cost-basis" will be the higher amount. This strategy will save you taxes when you sell these securities in the future. Ensure that the capital gains realized don't push you out of the 15% tax bracket, or you will be taxed on gains that fall outside that range.

6 Send in your January 2015 mortgage payment early enough for processing before December 31, 2014. You can deduct the interest portion of that payment a year earlier by sending in your payment a few weeks early.

7 Clean out your closets; donate your clothing and household items to a charitable organization, since itemized "noncash" contributions are tax deductible. Remember to get a receipt. Make an itemized list that includes condition of the donated items, and take

a few pictures of the items as well. Only donations of clothing and household items in "good condition or better" qualify for a deduction.

8 Making monetary donations by credit card before December 31, 2014, allows you to deduct the donation on this year's return, even if you don't pay your credit card bill until 2015. You always have the option of donating to charities any investments that have appreciated. You can claim your donation based on the value of the donated assets without paying capital gains taxes on the appreciation.

9 Prepay your projected state tax shortfall if you will be itemizing your deductions and you will not be subject to the alternative minimum tax.

10 Prepay and pay off your medical bills if your total medical expenses exceed 10% of your income and you itemize. The threshold increased from 7.5% to 10% in 2013, except for people aged >65 years, for whom the threshold remains at 7.5%.

This month, evaluate whether you will save taxes by postponing 2014 income or deductions into 2015 or by accelerating 2015 income or deductions into 2014. ●

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