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NATIC TAYLOR & COMPANY, LLC.
Edwin Natic, CPA
Philip D Taylor, CPA
1200 OLD ALPHARETTA ROAD ALPHARETTA, GA 30005
TELEPHONE (770) 889-3700
FACSIMILE (770) 889-5799
MEMBER: AICPA, GSCPA, NSA www.NTCCPA.com E-MAIL: EDWIN@NTCCPA.COM

# Tax Planning

**The challenges, This Time Around**

Contributed by Edwin Natic, CPA
ENC CPA's, P.C. Alpharetta (Forsyth County), GA

In our September & October issues we discussed retirement & unemployment, respectively, and we believe it is most timely to tackle ways to reduce our tax burden in this month's issue. As we near year-end, the window for tax planning opportunity is rapidly closing. Many make the mistake to wait until next year, when it is too late to take advantage of most tax planning tools. We will provide here some guidelines, but please be aware that tailored tax planning can only be done with someone who is well acquainted with your specific tax situation. The tax planning for a small business is markedly different from that of an individual employee. We'll start with general small business tax planning and rapidly move to individual taxpayers.

To add complexity to this year's tax planning, as a result of the uncertainty of the tax rates for 2010, we are forced to consider tax planning for 2009 and 2010 simultaneously. Under normal circumstances, we would look to defer income and increase deductions, however, we may need to rethink this strategy this year as income tax rates may be higher next year, in which case we may want to do just the opposite. The first step in making this determination is to figure profit over the two year period. As we meet with our clients we are discussing the two years collectively. There are circumstances that allow us to follow conventional tax planning strategies and then there are those that call for a modified approach. We are not advocates of prepaying taxes, however, this year more than ever, we must look at the total tax burden for the collective years and implement a strategy that yields the lowest tax over the two years.

Funding an HSA, a SEP, 401K, and other qualified retirement plans will all lower your tax. Keep in mind that the HSA and the 401K must both be funded by year-end, whereas a SEP may be funded by the due date of the return, including extensions. Equipment purchases qualify for bonus depreciation this year and, if the business qualifies, the section 179 election may be appropriate. There are many more deductions, which would be too lengthy to list here. We recommend you meet with your CPA to ensure you have maximized your opportunity to save taxes.

For most individuals who have maximized their retirement (usually 401K) investments, mortgage interest, property taxes, etc., there's not a whole lot left without spending more money. This year you have the opportunity to save taxes by taking advantage of the energy tax credits, or buying a new vehicle and taking a deduction for the sales tax. However, you should also consider other tax saving strategies that may be less costly, such as charitable contributions and energy investments. If you have a propensity to give to charity, you may want to consider giving appreciated stock. This gives you a charitable deduction for the fair market value of the securities donated and eliminates the capital gains you would otherwise have to pay on a stock liquidation.

***ENC CPA's, P.C.***
***Edwin Natic, CPA***
Certified Public Accountant

**(770) 889-3700**

Finally, if you have exhausted all of your deductions, consider investing in an energy resource - Natural Gas. It is one of the few tax deductions left in the tax code to encourage where you make an investment that allows for a tax deduction regardless of your income. Not only does this tax strategy reduce your tax burden, but it also diversifies your investment portfolio, which for most of us, is in stocks, bonds, commodities, etc. Keep in mind that because your investment is tax deductible, it's as if the government is partially funding your investment. Please feel free to contact us if you need further details. www.enccpas.com.

We'll discuss those LLCs in our next issue …. Until next time, dream big, stay safe, and ***always,*** be kind ……. ☺

Edwin