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# NEWS FLASH

## Year-End Tax Planning

NOVEMBER 27, 2010

It's very difficult to do year-end tax-planning when no one has any idea what the tax laws will be on January 1. Nevertheless, here are a few hints:

1. Under the assumption that tax rates will be higher in 2011 than in 2010, if you can accelerate 2011 income into 2010, you should do so. Examples of income that you might be able to accelerate are: Collections from clients/customers, bonuses, rental income.

2. If you hold stock that has *gone up in value*, sell it in 2010 and immediately buy it back. You will pay capital gains tax (from 0% or 15% depending upon your other income) in 2010. When you buy the stock back, your cost for future appreciation in value is based upon that new cost, thereby decreasing future capital gains taxes which are likely to be higher (but who knows). *Note:* You cannot do this with stock sold at a *loss* because of "wash-sale" rules that disallow such *losses*.

3. If you can postpone deductions from 2010 to 2011, you'll probably get more tax benefit from them next year than this year. But again, who knows.

4. If you have an IRA, you should consider rolling it over into a Roth IRA by December 31. This could be a major decision, and would normally be risky since we don't know the future tax law, and this is also a time of great uncertainty in investment decisions. Here's the good part: If you get an extension on your 2010 tax return until October 15, 2011, then you have until 10/15/11 to revoke the IRA-to-Roth conversion retroactively to the day in 2010 that you did it. Therefore, you have about 10 months to make a final decision. We all sincerely hope that we know that the tax law will be by next October (but who knows). In addition, with 2010 conversions only, you can choose to have the taxable income on the conversion included in your 2010 income, or 50% in 2011 income and 50% in 2012 income. But you won't know which choice to make until we have a new tax law.

5. Finally, if your income is too high to qualify you for IRA or Roth IRA contributions, put some money in a *non-deductible IRA, and then roll it into a Roth.* Call us first if you before you do this, because this one is complicated.

Our January Newsletter, which we normally send with your Tax Organizer, might be delayed if Congress does not act on new tax laws by the time we send the Organizers (January 6, 2011).

Please feel free to call or write if you have any questions.

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